

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED

10/25/19
04:59 PM

A1910015

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) for authorization to: (1) issue Debt Securities in an aggregate principal amount up to \$2,300 million of debt capital, in addition to previously-authorized amounts; (2) issue Roll-Over Debt Securities in an aggregate principal amount up to \$730 million of debt capital, in addition to previously-authorized amounts; (3) include certain features in the Debt Securities or to enter into certain derivative transactions related to underlying debt in order to improve the terms and conditions of the debt portfolio and with the goal of lowering the cost of money for the benefit of ratepayers; (4) hedge planned issuances of Debt Securities; and (5) take all other necessary, related actions.

Application 19-10-_____
(Filed October 25, 2019)

APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)

PUBLIC VERSION

Paul A. Szymanski
Senior Counsel
8330 Century Park Court, CP32D
San Diego, CA 92123
Telephone: (858) 654-1732
Facsimile: (619) 699-5027
E mail: PSzymanski@sdge.com

Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY

October 25, 2019

TABLE OF CONTENTS

| | | |
|-------|---|----|
| I. | INTRODUCTION | 2 |
| II. | BACKGROUND | 7 |
| | A. Remaining Long-Term Debt Authority | 7 |
| III. | USE OF PROCEEDS | 8 |
| IV. | DESCRIPTION OF DEBT SECURITIES | 9 |
| | A. Secured Debt | 9 |
| | B. Unsecured Debt (“Debentures”) | 10 |
| | C. Foreign Capital Markets | 10 |
| | D. Direct Long-Term Loans | 11 |
| | E. Accounts-Receivable Financing | 11 |
| | F. Tax-Exempt Debt | 11 |
| | G. Variable-Rate Debt | 12 |
| | H. “Fall-Away” Mortgage Bonds | 13 |
| V. | DEBT SECURITY ENHANCEMENTS | 13 |
| | A. Put Options | 14 |
| | B. Call Options | 14 |
| | C. Sinking Funds | 14 |
| | D. Interest Rate Swaps | 15 |
| | E. Caps and Collars | 15 |
| | F. Currency Swaps | 15 |
| | G. Credit Enhancements | 16 |
| VI. | HEDGING THE ISSUANCE OF SECURITIES | 16 |
| | A. “Price Today, Fund Later” Strategies | 16 |
| | 1. Treasury Lock | 16 |
| | 2. Treasury Options | 17 |
| | 3. Interest Rate Swaps | 17 |
| | B. “Fund Today, Price Later” Strategies | 17 |
| | 1. Long Hedge | 18 |
| | 2. Treasury Options | 18 |
| | 3. Interest Rate Swaps | 18 |
| VII. | COMPLIANCE WITH THE NEW FINANCING RULE | 19 |
| VIII. | FEES | 19 |
| IX. | STATUTORY AND PROCEDURAL REQUIREMENTS | 19 |
| | A. Rule 2.1 (a) – (d) | 19 |
| | 1. Rule 2.1 (a) – Legal Name | 20 |
| | 2. Rule 2.1 (b) – Correspondence | 20 |
| | 3. Rule 2.1 (c) | 21 |
| | 4. Rule 2.1 (d) – Safety | 22 |
| | B. Articles of Incorporation - Rule 2.2 | 22 |
| | C. Description of Property and Equipment - Rule 3.5 | 22 |
| | D. Balance Sheet, Income Statement and Financial Statement - Rule 2.3 | 23 |

| | | |
|------|----------------------------------|----|
| E. | Capitalization | 23 |
| F. | Proxy Statement - Rule 3.5 | 23 |
| G. | Service..... | 24 |
| X. | ATTACHMENTS..... | 24 |
| XI. | SCHEDULES | 24 |
| XII. | REQUESTED AUTHORIZATIONS | 25 |

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) for authorization to: (1) issue Debt Securities in an aggregate principal amount up to \$2,300 million of debt capital, in addition to previously-authorized amounts; (2) issue Roll-Over Debt Securities in an aggregate principal amount up to \$730 million of debt capital, in addition to previously-authorized amounts; (3) include certain features in the Debt Securities or to enter into certain derivative transactions related to underlying debt in order to improve the terms and conditions of the debt portfolio and with the goal of lowering the cost of money for the benefit of ratepayers; (4) hedge planned issuances of Debt Securities; and (5) take all other necessary, related actions.

Application 19-10-____
(Filed October 25, 2019)

APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)

Pursuant to Sections (“§”) 816-830, and 851 of the California Public Utilities Code (“P.U. Code”) and Rules 2.1 *et seq.* and 3.5 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission” or “CPUC”), San Diego Gas & Electric Company (“SDG&E” or “Applicant”) requests authorization from the Commission to:

1. Issue First Mortgage Bonds (“FMBs”), debentures, overseas indebtedness, foreign securities, long-term loans, accounts receivable financing, tax exempt Debt Securities in order to guarantee the obligations of others, variable-rate debt, and “fall-away” FMBs (collectively, “Debt Securities”) as further described in Section IV, in an aggregate principal amount of up to \$2,300 million of new debt capital, in addition to previously authorized amounts. SDG&E’s management or Board of Directors will determine the principal amount and the terms and conditions of each issue of Debt Securities according to market conditions at the time of sale;
2. Issue Roll-Over Debt Securities in an aggregate principal amount up to \$730 million of debt capital, in addition to previously-authorized roll-over debt amounts;
3. Include certain features in SDG&E’s Debt Securities as further described in Section V or to enter into certain derivative transactions related to underlying

debt in order to improve the terms and conditions of SDG&E's debt portfolio and with the goal of lowering SDG&E's cost of money for the benefit of ratepayers;

4. Hedge, when appropriate, existing or planned issuances of Debt Securities within reasonable limits established by the Financing Rule; and
5. Take all other necessary and related actions (as described in Section XII).

The authorization requested in this Application ("A.") is in addition to the unused authority previously granted by the Commission in Decisions ("D.") D.18-02-012, D.10-10-023, D.08-07-029, D.06-05-015, D.04-01-009, and D.93-09-069.

SDG&E respectfully requests that the Commission commence and conclude its review and determinations regarding this Application as soon as possible to enable SDG&E to maximize its opportunities to proceed with its capital investment plans in the most opportune circumstances and promptly implement recent Commission directives.

I. INTRODUCTION

SDG&E is requesting additional long-term financing authority to continue to fund its capital investment plans. As filed in our 2019 General Rate Case Application¹ and the Wildfire Risk Mitigation Plan,² SDG&E has proposed significant capital investment to address safety, wildfire, reliability, infrastructure integrity, security and to mitigate risk. SDG&E continues to make significant capital investment to manage wildfire risk, including system hardening measures to support public safety. In light of these necessary and important, near-term capital investments, SDG&E will require additional long-term debt authority to fund its capital program.

¹ See Application ("A.") 17-10-007/-008 (cons.), Test Year 2019 General Rate Case Application of San Diego Gas & Electric Company (October 6, 2017).

² See Rulemaking ("R.") 18-10-007, San Diego Gas & Electric Company's Wildfire Mitigation Plan (February 6, 2019).

SDG&E's forecasted capital investment plan over the 2020 through 2022 period calls for investments to modernize its electric transmission and distribution lines and substation infrastructure, and in technologies that advance clean energy, such as enabling access to renewable energy and reducing greenhouse gas emissions. The plan also includes capital expenditures for implementation of SDG&E's very recently approved Wildfire Mitigation Plan and managing wildfire risks, including fire-hardening SDG&E's system in high-threat areas to protect against extreme weather events and support public safety. In addition, SDG&E plans to invest in enhancements to gas pipeline safety and reliability, enhancements to emphasize safety in electric transmission and distribution, and in mitigation strategies for risks identified in the Risk Assessment Mitigation Phase ("RAMP") proceeding.³

SDG&E's request for additional long-term debt authority in this Application incorporates a 2020 forecasted capital investment, as shown in Schedule III-A, attached hereto. This represents an increase over the \$1,200 million 2020 forecast presented in SDG&E's previous long-term debt authorization application (A.17-08-017).⁴ The planned increase is primarily due to increased capital expenditures related to SDG&E's newly approved, essential wildfire mitigation programs, as indicated below.

SDG&E submitted its Wildfire Mitigation Plan ("WMP") on February 6, 2019 to address its efforts to mitigate the risk of wildfire ignitions and increase electric system resiliency. The WMP provided an overview of the work that SDG&E has previously

³ SDG&E's second RAMP Report will be filed in November 2019. SDG&E's first RAMP Report was addressed in Investigation ("I.") 16-10-015, Order Instituting Investigation Into the Risk Assessment and Mitigation Phase Submission of San Diego Gas & Electric Company (dated October 27, 2016).

⁴ See A.17-08-017, Application of San Diego Gas & Electric Company (August 11, 2017) at Schedule IIIa, Statement of Cash Requirements for the Years 2018, 2019, and 2020; *see also* D.18-02-012.

undergone and SDG&E's future plans to continue to prepare and harden its system to prevent future wildfires.

Although the Commission did not consider or approve specific expenditures in the WMP Rulemaking proceeding (R.18-10-007), the Administrative Law Judge ("ALJ") Ruling issued on January 17, 2019 required SDG&E and the other electrical corporations to include "[c]ost estimates for each item in the WMP in order for the Commission to weigh the potential cost implications of measures proposed in the plans."⁵ In response, SDG&E included in Appendix A (Workpapers to SDG&E's Wildfire Mitigation Plan) cost estimate dollar ranges for capital expenditures for each identified preventative strategy or program addressed in Section 4 – Wildfire Prevention Strategy and Programs.⁶ For the cost estimates included in Appendix A, 99% of the forecasted capital costs support SDG&E's plans to harden and modernize its physical electric system against wildfire risk.

In D.19-05-039, dated May 30, 2019, the Commission found "SDG&E's WMP contains the elements listed in Public Utilities Code Section 8386(c)."⁷ As stated in SDG&E's WMP filing, "Once approved, SDG&E will utilize this Plan as a framework to reasonably manage wildfire risk until the CPUC approves a subsequent Plan . . . SDG&E anticipates that this initial Plan cycle will last 18 months, with subsequent Plans on a calendar year period."⁸

⁵ See R.18-10-007, Administrative Law Judge's Ruling on Wildfire Mitigation Plan Template, and Adding Additional Parties as Respondents (January 17, 2019) at 2.

⁶ See *id.*; see also R.18-10-007, San Diego Gas & Electric Company's Wildfire Mitigation Plan (February 6, 2019) at Appendix A.

⁷ See D.19-05-039 at 3.

⁸ See R.18-10-007, San Diego Gas & Electric Company's Wildfire Mitigation Plan (February 6, 2019) at Attachment A, p. 2.

Given the very recent approval by the Commission of SDG&E's WMP to mitigate risk associated with the devastating wildfires that have become a regular occurrence in California, it is now incumbent on SDG&E to plan for and incorporate the financial impact of the additional capital investment in 2020 required to implement the programs described in its Commission-approved WMP in its financing strategy. In addition, the 2021 and 2022 capital investment forecasts presented in Schedules I and III-A hereto include the forecasted capital investments to implement SDG&E's WMP. Therefore, SDG&E has included the necessary capital funding to implement its WMP strategies and programs in the long-term financing authority requested in this Application, as is now required by the Commission.

In addition, the capital investment forecasts presented in Schedule 1, attached hereto, are consistent with the post-test year ("PTY") capital attrition mechanism recently approved by the Commission in SDG&E's 2019 General Rate Case Decision (D.19-09-051). The Decision adopts a PTY attrition framework that reflects anticipated growth in SDG&E's capital program. Based on Attachment D that contains details regarding SDG&E's PTY revenue requirement adjustments, the decision adopts a 9.74 percent increase for 2020 and a 6.47 percent increase for 2021, as derived from the amounts shown on line no. 3 of the attachment, for capital related costs.⁹

The investments outlined above are necessary for SDG&E to continue its capital program focused on investments necessary to build and maintain a system infrastructure that continues to provide clean, reliable supplies of energy to SDG&E's service territory in a safe and environmentally compliant manner. Furthermore, the investments are also necessary to protect against wildfire and security risks affecting SDG&E's infrastructure, and to facilitate

⁹ See D.19-09-051 at Attachment D, p. D-1.

the several coincident objectives noted above.

Capital investment projections are updated as part of SDG&E's financial plan development and are subject to substantial changes from year to year as business conditions and regulatory/legislative requirements evolve. In considering these capital spending estimates, it is important to emphasize that variability is inherent in the financial planning process and as conditions change the forecasts presented herein may change in the future.

Assembly Bill ("AB") 1054, recently approved on July 12, 2019 by Governor Newsom, establishes a Wildfire Fund partially funded by contributions from the California public electric utilities. The long-term debt authorization SDG&E is requesting in this Application does not include any additional authority for SDG&E's expected contribution to the Wildfire Fund. However, as this legislation and other related developments transpire in the future, SDG&E may seek addition long-term debt authorization.

In summary, SDG&E has new, significant, near-term capital requirements that entail SDG&E incurring incremental long-term debt to ensure that customers continue to receive clean, safe and reliable service. The estimated annual capital expenditures are shown in Schedule I, attached hereto. To fulfill the objectives discussed above, SDG&E requests herein authority to issue various kinds of long-term debt. These securities and their features are described below and are supported in further detail in Schedule III-A, attached hereto. Judicious use of long-term securities with the features described in this Application will allow SDG&E to raise, in a variety of capital-market settings, the funds necessary to serve its customers at the lowest cost and fund the expenditures recently mandated by the Commission.

As noted earlier, SDG&E respectfully requests that the Commission commence and conclude its review and determinations regarding this Application as soon as possible to

enable SDG&E to maximize its opportunities to proceed with its capital investment plans in the most opportune circumstances and promptly implement recent Commission directives.

II. BACKGROUND

A. Remaining Long-Term Debt Authority

As presented in Table 1 below, SDG&E's currently remaining long-term debt financing authority was granted by D.18-02-012, which authorized the issuance of long-term debt capital up to \$750 million. Through the month ending June 2019, SDG&E has utilized \$335 million of the long-term debt authority granted by D.18-02-012, leaving \$415 million of remaining authority. For reasons mentioned above, SDG&E anticipates issuing approximately \$2,700 million in long-term debt over the next three years (2020 through 2022); therefore, SDG&E will require an additional \$2,300 million of long-term debt financing authority that is incremental to the currently remaining authority of \$415 million.

Table 1
CPUC Debt Authority
Summary of Requested Debt Authority
(\$ millions)

| | New Debt | Roll-over Debt |
|---|-----------------|-----------------------|
| Remaining CPUC Authority at June 30, 2019 | \$415 | \$423 |
| Planned debt authority usage in 2019 | 0 | 0 |
| On-hand authority for 2020-2022 usage | \$415 | \$423 |
| Forecasted debt authority usage in 2020-2022 | 2,700 | 850 |
| Potential refinancing of existing debt in 2020-2022 | | 300 |
| New authority needed 2020-2022 * | (\$2,285) | (\$727) |
| Authority Requested in this Application | \$2,300 | \$730 |

* To account for potential variability in timing and scope of capital expenditures, SDG&E is rounding this amount to insure adequate financing.

As reflected in Table 1 above, SDG&E has \$423 million of existing remaining “roll-over” long-term debt authority for refinancing existing debt. Pending market conditions, SDG&E could use its existing roll-over authority to call or refinance up to approximately

\$251 million of Industrial Development Bonds (“IDB”) at some point in the future as they became callable June 1, 2019. SDG&E also plans to use roll-over authority to replace long-term debt maturities (Series JJJ) in 2021 of \$350 million and (Series PPP) in 2022 of \$250 million. Additionally, SDG&E finds it prudent to seek additional roll-over authority given the current interest rate environment. Thus, it is in the ratepayers’ best interest for SDG&E to be pre-positioned to act upon potential refinancing opportunities that would reduce SDG&E’s embedded cost of debt. Consequently, SDG&E requests a total of \$730 million of additional roll-over long-term debt authority in addition to the currently remaining roll-over authority noted above. This \$730 million of roll-over authority will be used for retirements or refinancing of securities previously issued and upon which SDG&E previously paid a fee; therefore, this amount is excluded from the fee calculation reflected in Schedule X, attached hereto.

In summary, the financing necessary to support SDG&E’s forecasted capital investments in 2020 through 2022, as discussed in Section I, including Commission-mandated initiatives, significantly exceeds the currently unused portion of the existing debt authorizations. SDG&E expects to issue new long-term debt over 2020 through 2022, as presented in Schedule III-A. As for years subsequent to 2022, SDG&E expects it will also have subsequent financing requirements. Additional information about the requested authorizations is provided below.

III. USE OF PROCEEDS

SDG&E intends to apply the net proceeds from the proposed debt capital financings for: (1) various SDG&E projects, (2) reimbursing SDG&E’s treasury for monies expended or planned to be expended for the expansion and enhancement of its utility plant, and (3) potential contingencies such as unforeseen capital needs or financial market disruptions.

Should there be another market dislocation similar to 2008-2009, SDG&E could be forced to issue securities with short maturities which would then need to be refinanced in the near term, possibly within the 2020 through 2022 window, using additional authority. Without sufficient financing authorizations in place, SDG&E may be unable to efficiently refinance such maturing debt. Further detail on these uses is included in Schedules I and III-A.

IV. DESCRIPTION OF DEBT SECURITIES

The following describes the types of Debt Securities that may be issued. Optional features designed to enhance the terms and conditions of the Debt Securities are described in Section V of this Application. SDG&E is requesting most of the same types of Debt Securities requested in its previous long-term debt financing application, A.17-08-017, which was approved by the Commission in D.18-02-012.

In general, each series of Debt Securities is expected to have a maturity of between one (1) year and one hundred (100) years. With the exception of long-term loans and accounts-receivable financings (as discussed below), each issue of Debt Securities may be issued under an indenture or a supplement to an existing indenture to be delivered to the trustee for such issue. The indenture or supplemental indenture would set forth the terms and conditions of each issue of Debt Securities.

A. Secured Debt

Secured debt may be secured by a lien on property or through other credit-enhancement arrangements described in Section V, below. First Mortgage Bonds (“FMBs”) will be issued in accordance with SDG&E’s trust indenture dated July 1, 1940, as amended and supplemented and which heretofore has been filed with the Commission. The supplemental indenture delivered in connection with each new series of FMBs will be in a form consistent with supplemental indentures previously filed with the Commission.

Secured debt may be sold to either domestic or foreign investors. It may be sold to underwriters who in turn will offer the secured debt to investors, or it may be sold directly to investors either with or without the assistance of a private placement agent. Secured debt may be registered with the Securities and Exchange Commission (“SEC”), depending on the method of offering and sale, and may be listed on a stock exchange. In certain instances, SDG&E may enter into contractual agreements whereby a third party will provide appropriate credit facilities as security for a secured debt issue. “Green bonds” may also be used to finance the development of environmentally friendly projects. The cost of the credit facilities will be included in determining the issue’s overall cost.

B. Unsecured Debt (“Debentures”)

Debentures may be sold to either domestic or foreign investors. They may be sold to underwriters who in turn will offer the debentures to investors, or they may be sold directly to investors either with or without the assistance of a placement agent. They may also be sold as “green bonds” used to finance the development of environmentally friendly projects.

Debentures may be registered with the SEC and may be listed on a stock exchange.

Unsecured debt may be senior or subordinated.

C. Foreign Capital Markets

Debt Securities issued by SDG&E in foreign capital markets may be denominated in, or proceeds from their sale received in, United States (“U.S.”) dollars or in other currencies. International bond issuance is commonly separated into two categories, U.S.-pay and foreign-pay. The U.S.-pay international bond market consists primarily of Eurodollar bonds, which are issued and traded outside of the U.S. and denominated in U.S. dollars. The foreign-pay, or simply foreign, bond market describes issues sold in a country outside of the U.S. in the local currency.

Certain circumstances may make international borrowing attractive to a U.S. utility. Competition among global investment banks may create low-cost offshore funding opportunities. Foreign bond markets may have a better appetite for a particular debt security than domestic markets. Finally, a domestic utility may find international markets more accessible during a time when domestic bond markets are not. To reduce or eliminate the risk of currency fluctuations, SDG&E may engage in currency swaps (defined below) or other arrangements.

D. Direct Long-Term Loans

SDG&E may enter into long-term loans, Debt Securities with a maturity of greater than one year, pursuant to a line of credit with banks, insurance companies, or other financial institutions. SDG&E may enter into loans when it finds that interest rates or other circumstances make it attractive to do so.

E. Accounts-Receiveable Financing

SDG&E may issue Debt Securities secured by a pledge, sale or assignment of its accounts receivable. SDG&E anticipates that the transactions would be structured to be a true sale for bankruptcy purposes, a sale for financial reporting, and debt for tax purposes although other structures may be developed using accounts receivable as security or collateral.

Because an accounts receivable financing would be an encumbrance on utility properties to the extent that accounts receivable are considered to be utility property, SDG&E requests authorization under P.U. Code § 851 to mortgage and encumber utility property.

F. Tax-Exempt Debt

SDG&E anticipates that from time to time the cost of SDG&E's Debt Securities may be reduced by placing such securities with one or more political subdivisions ("Authority") and unconditionally guaranteeing or otherwise securing such Authority's obligations in

respect of its issuances of tax-exempt debt in connection with the financing of SDG&E's facilities. SDG&E anticipates having the ability to use the tax-exempt option whenever: (1) its facilities qualify for tax-exempt financing under federal law, either as eligible pollution control facilities or facilities that may be financed by tax-exempt revenue bonds under the "two-county" rule, and (2) it receives sufficient "volume cap," or tax-exempt borrowing authority, from the California Debt Limit Allocation Committee ("CDLAC"). Such tax-exempt financings may be structured substantially as follows:

1. An Authority would issue and sell one or more series of its bonds, notes, debentures or other securities ("Authority Bonds") to a group of underwriters who would ultimately market such Authority Bonds to investors. Concurrently with the sale and delivery of such Authority Bonds and in consideration for the proceeds of the Authority Bonds, SDG&E would enter into a loan agreement or other security agreement with the Authority, or would enter into an installment-sale agreement with the Authority pursuant to which the eligible facilities would be conveyed to the Authority in consideration for the proceeds of the Authority Bonds, and the eligible facilities would be reconveyed to SDG&E in consideration for its Debt Securities. The operation and control of such facilities would remain with SDG&E or the project operator at all times.
2. Concurrently with the sale and delivery of such Authority Bonds, SDG&E would issue and deliver to the Authority, in consideration of the Authority's obligations set forth in (2) above, SDG&E Debt Securities plus accrued interest (the terms and conditions of such indebtedness would be substantially consistent with the terms and conditions of such Authority Bonds) or would unconditionally guarantee or otherwise secure such Authority's obligations in respect of the Authority Bonds. All rights and title of such Authority in company Debt Securities would be assigned to a trustee under an indenture pursuant to which the Authority Bonds would have been issued as security for the purchasers of the Authority Bonds.

G. Variable-Rate Debt

SDG&E anticipates that from time to time the cost of SDG&E debt may be reduced by issuing variable-rate debt securities. A variable-rate Debt Security includes, but is not limited to, Debt Securities bearing interest based on the London Interbank Offered Rate ("LIBOR") or some other referenced interest rate. A variable-rate Debt Security may also be a Debt

Security for which investors possess a series of periodic, mandatory put options that require SDG&E to repurchase all or a portion of the Debt Securities, and which may be coupled with a re-marketing obligation by SDG&E of the repurchased Debt Security.

Certain variable-rate Debt Securities require credit support, such as bank lines. These bank lines may be in the form of a short-term or long-term bank line agreement. Since these credit facilities are an integral part of the variable-rate debt issuance, such facilities (and any borrowing thereunder) should not be considered by the Commission to count against existing short-term debt authorizations.

H. “Fall-Away” Mortgage Bonds

SDG&E may issue debt that is initially secured and subsequently convertible into unsecured debt, known as “fall-away bonds.” These senior notes are initially secured under their indenture by collateral FMBs issued in equal principal amount under the existing 1940 first mortgage indenture and delivered to the fall-away indenture trustee. Subsequent to the redemption or maturity of all outstanding FMBs (other than the collateral FMBs held by the fall-away indenture trustee) the fall-away bonds will become unsecured general obligations of SDG&E. The fall-away bonds’ indenture will contain a negative pledge clause, which provides that the newly-unsecured obligations will be secured equally with any secured bonds that may be issued in the future.

V. DEBT SECURITY ENHANCEMENTS

SDG&E hereby requests authorization to include certain features in its Debt Securities or enter into certain derivative transactions related to underlying debt. Such measures would be taken when appropriate to improve the terms and conditions of SDG&E’s Debt Securities and to lower the overall cost of money for the benefit of the ratepayers. SDG&E is requesting the same types of security enhancements and related derivative transactions as requested in

A.17-08-017 and approved by the Commission in D.18-02-012.

A. Put Options

SDG&E anticipates that from time to time the cost of its Debt Securities may be reduced by the inclusion of a put option. This feature grants to a Debt Security owner the right to require SDG&E to repurchase all or a portion of that holder's securities, commonly referred to as "putting" the security back to the company. Debt holders are willing to accept a lower interest rate in exchange for the protection against rising interest rates offered by the put option.

B. Call Options

SDG&E anticipates that from time to time it may retain the right to retire, fully or partially, a Debt Security before the scheduled maturity date. This is commonly referred to as "calling" the security. The chief benefit of such a feature is that it permits SDG&E, should market rates fall, to replace the bond issue with a lower-cost issue, thus producing a positive net benefit to ratepayers.

C. Sinking Funds

SDG&E anticipates that from time to time the cost of SDG&E Debt Securities may be reduced by the use of a sinking fund. A sinking fund typically operates in one of two ways: (1) SDG&E may set aside a sum of money periodically so that at the maturity date of the bond issue there is a pool of cash available to redeem the issue, or (2) SDG&E may periodically redeem a specified portion of the bond issue. Typically, SDG&E would have the right to meet its sinking fund obligations in the latter fashion by either calling a certain number of bonds or purchasing the bonds in the open market.

D. Interest Rate Swaps

An interest rate swap is a contractual agreement between two parties to exchange a series of payments for a stated period. In a typical interest rate swap, one party pays the other fixed-rate interest while the other, in turn, pays floating rate interest, both payment obligations based on a notional principal amount (*i.e.*, no principal exchanged). Swaps are generally used to reduce either fixed-rate or floating-rate costs, or to convert fixed-rate borrowing to floating.

E. Caps and Collars

In order to reduce ratepayers' exposure to interest rate risk on variable-rate securities, SDG&E may negotiate some type of maximum rate, usually called a cap. In that case, even if variable rates increase above the cap (or "ceiling") rate, SDG&E would only pay the ceiling rate. In addition to the ceiling rate, sometimes a counterparty will desire a "floor" rate. In the event that the variable rate falls below the floor rate, SDG&E would pay the floor rate. The combination of a floor and a ceiling rate is called an interest-rate collar because SDG&E's interest expense is restricted to a band negotiated by SDG&E and the counterparty.

F. Currency Swaps

A currency swap is an arrangement in which one party agrees to make periodic payments in its domestic currency, based on either fixed or floating interest rates, to a counterparty, which in turn makes periodic payments to the first party in a different currency. The payments are based on principal amounts that are exchanged at the initiation of the swap and re-exchanged at maturity. Currency swaps are useful in the management of exchange risk and will be used when necessary to hedge exposures created by Debt Securities denominated in foreign currencies.

G. Credit Enhancements

SDG&E may obtain credit enhancements for Debt Securities, such as letters of credit, standby bond purchase agreements, surety bonds or insurance policies, or other credit support arrangements. Such credit enhancements may be included to reduce interest costs or improve other credit terms; and the cost of such credit enhancements would be included in the cost of the Debt Securities.

VI. HEDGING THE ISSUANCE OF SECURITIES

Under certain circumstances, SDG&E may wish to hedge the issuance of debt securities. For instance, compliance with legal, regulatory, and administrative matters may preclude SDG&E from acting on a low-cost funding opportunity during a time of market volatility. Conversely, SDG&E may have an immediate need for funds, but it may be reluctant to fix its cost at prevailing interest rates. Issuance-hedging strategies grant the ability to enter financial markets at times when interest rates or other circumstances appear most favorable. SDG&E is requesting in this Application the same types of issuance-hedge techniques requested in A.17-08-017 and approved by the Commission in D.18-02-012.

A. “Price Today, Fund Later” Strategies

These hedges allow SDG&E to lock in today’s interest rate and issue securities at some later date.

1. Treasury Lock

This approach is used to lock in the Treasury component of SDG&E’s borrowing cost. SDG&E’s borrowing cost (*i.e.*, the interest rate paid on bonds) is comprised of two components: the yield on US Treasury bonds of comparable maturity plus the credit spread, the market’s assessment of SDG&E’s ability to service its debt over time. The Treasury lock approach is used to determine in advance the Treasury-yield component of the interest rate

that SDG&E will pay on a future bond offering.

SDG&E can delay securities issuance and capture the current Treasury yield by entering into a Treasury lock. If interest rates rise during the hedge period, SDG&E will unwind the hedge at a profit; this will offset the higher coupon of the newly issued securities. If interest rates decline, SDG&E will unwind the hedge at a loss, but this will be offset by the lower cost of the newly issued securities.

2. Treasury Options

The purchase of Treasury put options is an alternative to the Treasury lock. In this transaction, SDG&E would purchase put options entitling it to sell Treasury securities of a maturity comparable to that of the contemplated security issuance at a specified yield (the “strike yield”) at any time before the option's expiration date. If interest rates rise above the put’s strike yield, SDG&E will exercise the put and the resulting profit offsets the increased cost of borrowing. If interest rates decline, SDG&E will let the option expire worthless and issue securities at prevailing lower rates.

3. Interest Rate Swaps

A forward-starting interest rate swap allows SDG&E to delay a securities issuance and capture current yields. As the fixed-rate payer in an interest rate swap, SDG&E hedges its borrowing cost: if interest rates rise, unwinding the swap at a profit offsets higher borrowing costs. Conversely, if rates decline, lower borrowing costs offset the loss caused by unwinding the swap.

B. “Fund Today, Price Later” Strategies

These hedges allow SDG&E to fund immediately and price the securities at some future date.

1. Long Hedge

This approach allows SDG&E to issue now and capture its current credit spread but leave the all-in cost of the securities issue open. SDG&E establishes a long hedge by issuing securities today and investing the proceeds in Treasury securities of a comparable maturity. If interest rates subsequently decline, the gain in the value of the Treasury portfolio will compensate SDG&E for the lost opportunity to finance at lower rates. On the other hand, if rates rise, the interest expense savings realized by issuing immediately will be offset by the decline in value of the Treasury portfolio. Thus, the Treasury component of SDG&E's effective borrowing cost will be determined by the Treasury rates prevailing when it chooses to unwind the hedge; the credit spread is determined at the time of issuance.

2. Treasury Options

The purchase of Treasury call options is an alternative to the long hedge. With this approach, SDG&E would issue securities today and purchase call options on Treasury securities of a comparable maturity. Such a call option allows the holder to purchase Treasury securities at a specified yield (the “strike yield”) any time before the expiration date. If rates decline below the strike yield, exercising the option produces a gain used to offset the interest cost of the securities issued today. If interest rates rise above the strike yield, the option will expire unexercised. In this case SDG&E benefits from the lower borrowing rate.

3. Interest Rate Swaps

A forward-starting interest rate swap allows SDG&E to issue securities immediately and benefit from a subsequent fall in interest rates. As the floating-rate payer in an interest rate swap, SDG&E hedges its borrowing cost: if interest rates decline, unwinding the swap at a profit will compensate SDG&E for the lost opportunity to finance at lower rates.

Conversely, if rates rise, the interest expense savings realized by issuing immediately will be

offset by the loss caused by unwinding the swap.

VII. COMPLIANCE WITH THE NEW FINANCING RULE

In D.12-06-015, the Commission adopted the Utility Long-Term Debt Financing Rule (the “Financing Rule”), replacing the Competitive Bidding Rule that had previously governed the issuance of Debt Securities.

In accordance with the Financing Rule, SDG&E intends to: (1) prudently issue debt consistent with market standards with the goal of achieving the lowest long-term cost of capital for ratepayers, (2) determine the financing term of its debt issues with due regard for its financial condition and requirements, (3) use its best efforts to encourage, assist, and include Women, Minority, Disabled Veteran-Owned Business Enterprises (“WMDVBEs”) in various types of underwriting roles on Debt Securities offerings, (4) utilize Debt Security Enhancements only in connection with Debt Securities financings, and (5) adhere to the Financing Rule’s restrictions on the use of swap and hedging transactions.

Additionally, SDG&E will comply with the debt-issuance reporting requirements defined in General Order 24-C, also established in D.12-06-015.

VIII. FEES

A fee of \$1,156,000 will be payable under P.U. Code § 1904(b) upon the Commission’s approval of the authorization requested in this Application. The calculation of the fee is shown in Schedule X, attached hereto.

IX. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Rule 2.1 (a) – (d)

This Application is filed pursuant to P.U. Code §§ 816-830 and 851 and complies with applicable orders of the Commission and the Commission’s Rules of Practice and Procedure. In accordance with Rule 2.1 (a) – (d) of the Commission’s Rules of Practice and Procedure,

SDG&E provides the following information.

1. Rule 2.1 (a) – Legal Name

SDG&E is a corporation organized and existing under the laws of the State of California. SDG&E is engaged in the business of providing electric service in a portion of Orange County and electric and gas service in San Diego County. SDG&E's principal place of business is 8330 Century Park Court, San Diego, California 92123. SDG&E's attorney in this matter is Paul Szymanski.

2. Rule 2.1 (b) – Correspondence

Correspondence or communications regarding this Application should be addressed to:

Christa M. Lim
Regulatory Case Manager
San Diego Gas & Electric Company
8330 Century Park Court, CP32F
San Diego, CA 92123-1530
Telephone: (858) 654-1880
CLim@sdge.com

with copies to:

Paul A. Szymanski
Senior Counsel
San Diego Gas & Electric Company
8330 Century Park Court, CP32D
San Diego, CA 92123-1530
Telephone: (858) 654-1732
Facsimile: (619) 699-5027
PSzymanski@sdge.com

3. Rule 2.1 (c)

a. Proposed Category of Proceeding

SDG&E's previous two long-term debt financing proceedings, A.17-08-017 and A.14-09-008 were categorized as "ratesetting" proceedings.¹⁰ SDG&E proposes that this proceeding also be categorized as a "ratesetting" proceeding.

b. Proposed Schedule and Issues to be Considered

SDG&E does not believe that approval of this Application will require hearings. The previous two long-term debt financing proceedings, A.17-08-017 and A.14-09-008, did not require testimony or evidentiary hearings. SDG&E has provided ample supporting information to create a record upon which the Commission may grant the relief requested, and this information is beyond that normally required by Rule 3.5 of the Commission's Rules of Practice and Procedure, and P.U. Code §§ 816-830 and 851.

If, however, the Commission finds that a public hearing is necessary, Applicant requests that such hearing be conducted as soon as practicable. Applicant is prepared to proceed with any necessary hearing. Applicant proposes the following procedural schedule:

| <u>ACTION</u> | <u>DATE</u> |
|-------------------------------|--|
| Application filed | October 25, 2019 |
| Protests filed, if any | 30 days after notice of filing in Daily Calendar |
| ALJ Proposed Decision | January 2020 |
| Comments on Proposed Decision | 20 Days After Proposed Decision |
| Final Commission Decision | February 2020 |

¹⁰ See, e.g., D.18-02-012 at 19.

The issues in this proceeding are whether Applicant should be authorized, pursuant to and consistent with P.U. Code §§ 816-830 and 851, to issue the securities described herein with the features described herein, and whether Applicant should be authorized, where appropriate to be exempt from the Commission's Competitive Bidding Rules. Applicant is unaware of any specific objections any party might raise to any of these issues.

4. Rule 2.1 (d) – Safety¹¹

SDG&E is committed to safety. Based on current information, SDG&E's long-term debt financing application will not result in any adverse safety impacts on the facilities or operations of SDG&E. In addition, SDG&E will comply with all applicable current safety laws, rules and procedures, including SDG&E's internal policies. At the same time, as noted throughout this Application, a primary need for the additional financing authority is to comply with the Commission's recent directives relative to SDG&E WMP. Therefore, SDG&E requests that the Commission act expeditiously on this Application.

B. Articles of Incorporation - Rule 2.2

A copy of SDG&E's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was filed with the Commission on September 10, 2014 in connection with SDG&E's application, A.14-09-008, and is incorporated herein by reference.

C. Description of Property and Equipment - Rule 3.5

SDG&E is in the business of generating, transmitting and distributing electric energy to San Diego County and part of Orange County. SDG&E also purchases, transmits and

¹¹ In D.16-01-017, the Commission amended Rule 2.1 to require all applications to include a detailed showing of relevant safety considerations. See D.16-01-017 at Ordering Paragraph 1.

distributes natural gas to customers in San Diego County. SDG&E has electric transmission, distribution and service lines in San Diego, Orange and Imperial Counties. This includes a composite 92% ownership in the 500,000 volt Southwest Powerlink, including substations and transmission lines, which run through San Diego and Imperial Counties to the Palo Verde substation in Arizona. This also includes full ownership of the 500,000 volt Sunrise Powerlink, including substations and transmission lines, which run through San Diego and Imperial Counties to the Imperial Valley substation. Gas facilities consist of the Moreno gas compressor station in Riverside County and the Rainbow compressor station located in San Diego County. The gas is transmitted through high and low-pressure distribution mains and service lines.

A statement of Original Cost and Depreciation Reserve attributable thereto for the six-month period ending June 30, 2019 is attached as Attachment A.

D. Balance Sheet, Income Statement and Financial Statement - Rule 2.3

Applicant's Balance Sheet, Income Statement and Financial Statement for the six-month period ending June 30, 2019 are included with this Application as Attachment B.

E. Capitalization

Applicant's regulatory capitalization for the six-month period ending June 30, 2019, is set forth in Attachment C.

F. Proxy Statement - Rule 3.5

A copy of the most recent proxy statement sent to all shareholders of SDG&E's parent company, Sempra Energy, dated March 22, 2019, was mailed to the Commission on March 26, 2019, and is incorporated herein by reference.

G. Service

This is a new application. No service list has been established. Accordingly, SDG&E will serve this Application, attachments, and schedules on parties to the service list for A.17-08-017. Hard copies will be sent by overnight mail to the ALJ in A.17-08-017, ALJ Rafael Lirag, and Chief ALJ Anne Simon.

X. ATTACHMENTS

Attachments A through C, described below, are a part of, and incorporated into, this Application:

Attachment A: SDG&E's Original Cost and Depreciation Reserve

Attachment B: SDG&E's Balance Sheet, Income Statement and Financial Statement

Attachment C: SDG&E's Regulatory Capitalization Schedule

XI. SCHEDULES

This Application is supported by Schedules I – XII, attached hereto. Schedule I is a three-year forecast of the Company's capital expenditures. Schedules II through VIII summarizes additional financial information related to this Application as noted on the heading of each schedule. Schedule IX presents in pro-forma fashion how SDG&E's maximum requested long-term financing would affect the Company's capital structure. The resulting ratios reflect the hypothetical change assuming all the requested financing in this Application was issued in one day. This scenario is not representative of SDG&E's plan as shown in Schedule III-A, attached hereto. Schedule X provides a calculation of the application fee required by Public Utilities Code § 1904(b), and Schedule XI details SDG&E's long-term debt portfolio at June 30, 2019. Schedule XII summarizes SDG&E's current remaining CPUC financing authorities. The schedules follow the same format and content as those that have accompanied SDG&E's previous long-term financing applications.

As in previous applications, this Application reflects annual ranges of estimated capital expenditures to project SDG&E's financing needs.

XII. REQUESTED AUTHORIZATIONS

WHEREFORE, Applicant respectfully requests that the Commission issue its Order herein, providing specifically for the following:

1. To issue Debt Securities, in an aggregate principal amount of up to \$2,300 million of new debt capital, in addition to previously-authorized amounts. SDG&E's management or Board of Directors will determine the principal amount and the terms and conditions of each issue of Debt Securities according to market conditions at the time of sale;
2. To issue Roll-Over Debt Securities in an aggregate principal amount up to \$730 million of debt capital, in addition to previously-authorized Roll-over debt amounts;
3. To issue certain tax-exempt Debt Securities in order to guarantee the obligations of others;
4. To include certain features in SDG&E's Debt Securities or to enter into certain derivative transactions related to underlying debt in order to improve the terms and conditions of SDG&E's debt portfolio and with the goal of lowering SDG&E's cost of money for the benefit of ratepayers;
5. To hedge, when appropriate, planned issuances of Debt Securities within reasonable limits established by the new Financing Rule.
6. To take all necessary and related actions, including but not limited to:
 - a. Specifically finding, as required by P.U. Code § 818, that in the opinion of the Commission, the money, property or labor to be procured or paid for by such issues is reasonably required for the purposes so specified, and that, except as otherwise permitted in the order in the case of bonds, notes, or other evidences of indebtedness, such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
 - b. Providing that the authority granted in such Order shall be effective upon payment of the fee prescribed in P.U. Code §§ 1904(b) and 1904.1, which is computed to be \$1,156,000.
 - c. Providing that the authority granted in such Order shall be in addition to the authority previously granted in D. 18-02-012, D.10-10-023, D.08-07-029, D.06-05-015, D.04-01-009, and D.93-09-069.

- d. Granting such additional authorizations as this Commission may deem appropriate.

Assuming the Commission approves the authorizations requested in this Application, SDG&E respectfully requests that the Commission incorporate the specific language set forth above in its Ordering Paragraphs. Based on SDG&E's experience, the specific language above will provide the necessary assurances to the Company's underwriters and outside counsel, who will rely on the Commission's Ordering Paragraphs to establish that SDG&E has in fact acquired the requisite regulatory authority to engage in the issuances of the Debt Securities addressed herein.

Lastly, SDG&E respectfully requests that the Commission commence and conclude its review and determinations regarding this Application as soon as possible to enable SDG&E to maximize its opportunities to proceed with its capital investment plans in the most opportune circumstances and promptly implement recent Commission directives.

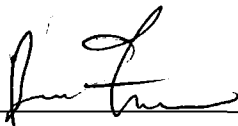
Respectfully submitted,

By: /s/ Paul A. Szymanski

Paul A. Szymanski
8330 Century Park Court, CP32D
San Diego, CA 92123
Telephone: (858) 654-1732
Facsimile: (619) 699-5027
E mail: PSzymanski@sdge.com

Attorney for:
San Diego Gas & Electric Company

SAN DIEGO GAS & ELECTRIC COMPANY

By: _____

Bruce A. Folkmann
San Diego Gas & Electric Company
Senior Vice President – Controller & Chief Financial Officer

DATED at San Diego, California, this 25th day of October 2019

OFFICER VERIFICATION

Bruce A. Folkmann declares the following:

I am an officer of San Diego Gas & Electric Company and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing **APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)** are true to my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on October 25, 2019 at San Diego, California.

By: _____

Bruce A. Folkmann
San Diego Gas & Electric Company
Senior Vice President – Controller & Chief Financial Officer

Attachment A

Original Cost and Depreciation Reserve

SAN DIEGO GAS & ELECTRIC COMPANY

**COST OF PROPERTY AND
DEPRECIATION RESERVE APPLICABLE THERETO
AS OF JUNE 30, 2019**

| <u>No.</u> | <u>Account</u> | <u>Original Cost</u> | <u>Reserve for Depreciation and Amortization</u> |
|----------------------------|---------------------------------------|--------------------------|--|
| ELECTRIC DEPARTMENT | | | |
| 302 | Franchises and Consents | 222,841.36 | 202,900.30 |
| 303 | Misc. Intangible Plant | 177,867,002.34 | 135,310,076.13 |
| | TOTAL INTANGIBLE PLANT | 178,089,843.70 | 135,512,976.43 |
| 310.1 | Land | 14,526,518.29 | 46,518.29 |
| 310.2 | Land Rights | 0.00 | 0.00 |
| 311 | Structures and Improvements | 89,282,779.56 | 44,642,515.77 |
| 312 | Boiler Plant Equipment | 161,941,815.44 | 82,131,265.65 |
| 314 | Turbogenerator Units | 130,874,299.77 | 54,571,669.02 |
| 315 | Accessory Electric Equipment | 86,242,427.04 | 42,622,710.15 |
| 316 | Miscellaneous Power Plant Equipment | 53,528,902.07 | 16,185,452.45 |
| | Steam Production Contra Accounts | (1,621,911.83) | (517,733.32) |
| | TOTAL STEAM PRODUCTION | 534,774,830.34 | 239,682,398.01 |
| 340.1 | Land | 224,368.91 | 0.00 |
| 340.2 | Land Rights | 2,427.96 | 2,427.96 |
| 341 | Structures and Improvements | 23,664,945.54 | 9,636,195.85 |
| 342 | Fuel Holders, Producers & Accessories | 21,651,593.69 | 8,741,206.12 |
| 343 | Prime Movers | 95,333,635.07 | 45,778,329.15 |
| 344 | Generators | 361,344,432.76 | 166,337,278.77 |
| 345 | Accessory Electric Equipment | 32,510,919.85 | 16,090,699.58 |
| 346 | Miscellaneous Power Plant Equipment | 30,821,693.60 | 16,529,326.23 |
| | TOTAL OTHER PRODUCTION | 565,554,017.38 | 263,115,463.66 |
| | TOTAL ELECTRIC PRODUCTION | 1,100,328,847.72 | 502,797,861.67 |

| <u>No.</u> | <u>Account</u> | <u>Original Cost</u> | <u>Reserve for Depreciation and Amortization</u> |
|------------|---|--------------------------|--|
| 350.1 | Land | 78,615,129.53 | 0.00 |
| 350.2 | Land Rights | 161,983,142.62 | 25,239,499.23 |
| 352 | Structures and Improvements | 610,206,835.79 | 86,815,855.33 |
| 353 | Station Equipment | 1,829,093,355.20 | 386,976,906.29 |
| 354 | Towers and Fixtures | 905,731,530.80 | 196,024,286.14 |
| 355 | Poles and Fixtures | 676,083,192.06 | 135,313,033.92 |
| 356 | Overhead Conductors and Devices | 689,423,108.08 | 252,879,735.54 |
| 357 | Underground Conduit | 470,219,798.64 | 75,258,483.02 |
| 358 | Underground Conductors and Devices | 525,338,927.17 | 73,863,159.72 |
| 359 | Roads and Trails | 327,265,061.36 | 40,890,598.38 |
| | TOTAL TRANSMISSION | 6,273,960,081.25 | 1,273,261,557.57 |
| 360.1 | Land | 16,490,990.26 | 0.00 |
| 360.2 | Land Rights | 90,088,908.66 | 45,530,371.90 |
| 361 | Structures and Improvements | 10,086,044.98 | 1,743,296.88 |
| 362 | Station Equipment | 574,598,422.78 | 220,277,155.61 |
| 363 | Storage Battery Equipment | 127,513,025.39 | 35,629,169.44 |
| 364 | Poles, Towers and Fixtures | 819,626,987.24 | 295,059,463.63 |
| 365 | Overhead Conductors and Devices | 805,474,964.68 | 236,473,158.63 |
| 366 | Underground Conduit | 1,360,590,938.51 | 529,978,331.39 |
| 367 | Underground Conductors and Devices | 1,671,814,222.50 | 966,636,222.09 |
| 368.1 | Line Transformers | 668,206,539.52 | 201,504,818.68 |
| 368.2 | Protective Devices and Capacitors | 34,632,140.81 | 12,788,664.26 |
| 369.1 | Services Overhead | 190,038,442.11 | 116,141,226.52 |
| 369.2 | Services Underground | 371,871,039.09 | 260,455,724.31 |
| 370.1 | Meters | 200,068,683.19 | 109,166,743.25 |
| 370.2 | Meter Installations | 62,138,760.83 | 28,769,191.37 |
| 371 | Installations on Customers' Premises | 9,566,175.02 | 10,621,376.93 |
| 373.1 | St. Lighting & Signal Sys.-Transformers | 0.00 | 0.00 |
| 373.2 | Street Lighting & Signal Systems | 32,299,637.78 | 20,967,777.25 |
| | TOTAL DISTRIBUTION PLANT | 7,045,105,923.35 | 3,091,742,692.14 |
| 389.1 | Land | 7,312,142.54 | 0.00 |
| 389.2 | Land Rights | 0.00 | 0.00 |
| 390 | Structures and Improvements | 45,608,818.57 | 26,780,615.05 |
| 392.1 | Transportation Equipment - Autos | 0.00 | 49,884.21 |
| 392.2 | Transportation Equipment - Trailers | 58,145.67 | 19,972.21 |
| 393 | Stores Equipment | 46,521.59 | 1,734.19 |
| 394.1 | Portable Tools | 34,365,479.14 | 10,058,679.93 |
| 394.2 | Shop Equipment | 278,147.42 | 213,854.52 |
| 395 | Laboratory Equipment | 5,333,953.73 | 1,078,024.13 |
| 396 | Power Operated Equipment | 60,528.93 | 117,501.67 |
| 397 | Communication Equipment | 324,177,176.45 | 130,271,431.12 |
| 398 | Miscellaneous Equipment | 61,974,394.40 | 3,241,998.15 |
| | TOTAL GENERAL PLANT | 479,215,308.44 | 171,833,695.18 |
| 101 | TOTAL ELECTRIC PLANT | 15,076,700,004.46 | 5,175,148,782.99 |

| <u>No.</u> | <u>Account</u> | <u>Original Cost</u> | <u>Reserve for Depreciation and Amortization</u> |
|------------------|---|--------------------------|--|
| GAS PLANT | | | |
| 302 | Franchises and Consents | 86,104.20 | 86,104.20 |
| 303 | Miscellaneous Intangible Plant | 0.00 | 0.00 |
| | TOTAL INTANGIBLE PLANT | 86,104.20 | 86,104.20 |
| 360.1 | Land | 0.00 | 0.00 |
| 361 | Structures and Improvements | 0.00 | 0.00 |
| 362.1 | Gas Holders | 0.00 | 0.00 |
| 362.2 | Liquefied Natural Gas Holders | 0.00 | 0.00 |
| 363 | Purification Equipment | 0.00 | 0.00 |
| 363.1 | Liquefaction Equipment | 0.00 | 0.00 |
| 363.2 | Vaporizing Equipment | 0.00 | 0.00 |
| 363.3 | Compressor Equipment | 0.00 | 0.00 |
| 363.4 | Measuring and Regulating Equipment | 0.00 | 0.00 |
| 363.5 | Other Equipment | 0.00 | 0.00 |
| 363.6 | LNG Distribution Storage Equipment | 2,168,803.11 | 1,254,997.93 |
| | TOTAL STORAGE PLANT | 2,168,803.11 | 1,254,997.93 |
| 365.1 | Land | 4,649,143.75 | 0.00 |
| 365.2 | Land Rights | 3,515,541.91 | 1,528,883.35 |
| 366 | Structures and Improvements | 19,306,097.54 | 11,055,464.01 |
| 367 | Mains | 246,096,743.09 | 88,714,929.09 |
| 368 | Compressor Station Equipment | 92,393,328.87 | 72,862,537.27 |
| 369 | Measuring and Regulating Equipment | 27,902,867.39 | 17,816,772.30 |
| 371 | Other Equipment | 1,994,264.34 | 157,091.79 |
| | TOTAL TRANSMISSION PLANT | 395,857,986.89 | 192,135,677.81 |
| 374.1 | Land | 1,083,616.95 | 0.00 |
| 374.2 | Land Rights | 8,395,720.77 | 7,300,959.56 |
| 375 | Structures and Improvements | 43,446.91 | 61,253.10 |
| 376 | Mains | 1,269,768,422.91 | 415,796,467.94 |
| 378 | Measuring & Regulating Station Equipment | 19,033,328.64 | 9,077,230.45 |
| 380 | Distribution Services | 338,407,659.61 | 297,559,185.80 |
| 381 | Meters and Regulators | 166,243,631.10 | 70,596,678.45 |
| 382 | Meter and Regulator Installations | 106,870,867.40 | 47,386,855.27 |
| 385 | Ind. Measuring & Regulating Station Equipme | 1,516,810.70 | 1,277,007.95 |
| 386 | Other Property On Customers' Premises | 0.00 | 0.00 |
| 387 | Other Equipment | 11,402,034.82 | 5,924,054.47 |
| | TOTAL DISTRIBUTION PLANT | 1,922,765,539.81 | 854,979,692.99 |

| <u>No.</u> | <u>Account</u> | <u>Original Cost</u> | <u>Reserve for Depreciation and Amortization</u> |
|---------------------|--|--------------------------|--|
| 392.1 | Transportation Equipment - Autos | 0.00 | 25,503.00 |
| 392.2 | Transportation Equipment - Trailers | 0.00 | 0.13 |
| 394.1 | Portable Tools | 11,672,344.53 | 4,025,905.17 |
| 394.2 | Shop Equipment | 71,501.71 | 33,987.34 |
| 395 | Laboratory Equipment | 0.00 | (7,344.15) |
| 396 | Power Operated Equipment | 16,162.40 | 14,560.53 |
| 397 | Communication Equipment | 2,377,110.36 | 850,329.68 |
| 398 | Miscellaneous Equipment | 465,784.09 | 129,717.62 |
| | TOTAL GENERAL PLANT | 14,602,903.09 | 5,072,659.32 |
| 101 | TOTAL GAS PLANT | 2,335,481,337.10 | 1,053,529,132.25 |
| COMMON PLANT | | | |
| 303 | Miscellaneous Intangible Plant | 590,896,815.94 | 380,422,568.47 |
| 350.1 | Land | 0.00 | 0.00 |
| 360.1 | Land | 0.00 | 0.00 |
| 389.1 | Land | 7,494,792.37 | 0.00 |
| 389.2 | Land Rights | 27,776.34 | 27,776.34 |
| 390 | Structures and Improvements | 448,179,095.04 | 167,701,181.42 |
| 391.1 | Office Furniture and Equipment - Other | 40,545,416.35 | 15,481,875.52 |
| 391.2 | Office Furniture and Equipment - Computer Ec | 67,339,335.40 | 17,709,767.11 |
| 392.1 | Transportation Equipment - Autos | 677,909.38 | 277,109.82 |
| 392.2 | Transportation Equipment - Trailers | 107,977.72 | 4,960.83 |
| 392.3 | Transportation Equipment - Aviation | 11,580,557.15 | 1,731,768.19 |
| 393 | Stores Equipment | 333,835.97 | 30,057.23 |
| 394.1 | Portable Tools | 1,520,822.86 | 516,940.69 |
| 394.2 | Shop Equipment | 142,759.33 | 92,400.43 |
| 394.3 | Garage Equipment | 1,854,148.83 | 395,469.88 |
| 395 | Laboratory Equipment | 1,731,116.64 | 826,300.03 |
| 396 | Power Operated Equipment | 0.00 | (192,979.10) |
| 397 | Communication Equipment | 240,860,116.54 | 86,462,690.04 |
| 398 | Miscellaneous Equipment | 5,136,413.68 | 469,080.39 |
| | Topside | 0.00 | |
| 118.1 | TOTAL COMMON PLANT | 1,418,428,889.54 | 671,956,967.29 |
| | TOTAL ELECTRIC PLANT | 15,076,700,004.46 | 5,175,148,782.99 |
| | TOTAL GAS PLANT | 2,335,481,337.10 | 1,053,529,132.25 |
| | TOTAL COMMON PLANT | 1,418,428,889.54 | 671,956,967.29 |
| 101 & 118.1 | TOTAL | 18,830,610,231.10 | 6,900,634,882.53 |
| 101 | PLANT IN SERV-SONGS FULLY RECOVERE | 0.00 | 0.00 |
| 101 | PLANT IN SERV-ELECTRIC NON-RECON | | |
| | Electric | 0.00 | 0.00 |
| | Gas | 0.00 | 0.00 |
| | Common | 0.00 | 0.00 |
| | | 0.00 | 0.00 |

| <u>No.</u> | <u>Account</u> | <u>Original Cost</u> | <u>Reserve for Depreciation and Amortization</u> |
|------------|--|--------------------------|--|
| 101 | PLANT IN SERV-CONTRA-ELECTRIC | | |
| | Electric | 0.00 | 0.00 |
| | Common | 0.00 | 0.00 |
| | | <u>0.00</u> | <u>0.00</u> |
| 101 | PLANT IN SERV-PP TO SAP OUT OF BAL | | |
| | Electric | 0.00 | 0.00 |
| | | <u>0.00</u> | <u>0.00</u> |
| 118 | PLANT IN SERV-COMMON NON-RECON | | |
| | Common - Transferred Asset Adjustment | <u>(1,540,513.52)</u> | <u>(1,540,513.52)</u> |
| 101 | Accrual for Retirements | | |
| | Electric | (8,673,977.14) | (8,673,977.14) |
| | Gas | (1,821,385.86) | (1,821,385.86) |
| | | <u>(10,495,363.00)</u> | <u>(10,495,363.00)</u> |
| | TOTAL PLANT IN SERV-ACCRUAL FOR RE | <u>(10,495,363.00)</u> | <u>(10,495,363.00)</u> |
| 102 | Electric | 279,421.69 | 0.00 |
| | Gas | 0.00 | 0.00 |
| | | <u>0.00</u> | <u>0.00</u> |
| | TOTAL PLANT PURCHASED OR SOLD | <u>279,421.69</u> | <u>0.00</u> |
| 104 | Electric | 85,194,000.02 | 21,353,444.91 |
| | Gas | 0.00 | 0.00 |
| | | <u>0.00</u> | <u>0.00</u> |
| | TOTAL PLANT LEASED TO OTHERS | <u>85,194,000.02</u> | <u>21,353,444.91</u> |
| 105 | Plant Held for Future Use | | |
| | Electric | 0.00 | 0.00 |
| | Gas | 0.00 | 0.00 |
| | | <u>0.00</u> | <u>0.00</u> |
| | TOTAL PLANT HELD FOR FUTURE USE | <u>0.00</u> | <u>0.00</u> |
| 107 | Construction Work in Progress | | |
| | Electric | 1,035,834,631.26 | |
| | Gas | 113,700,623.59 | |
| | Common | 182,276,518.47 | |
| | | <u>1,331,811,773.32</u> | |
| | TOTAL CONSTRUCTION WORK IN PROGRESS | <u>1,331,811,773.32</u> | <u>0.00</u> |

| <u>No.</u> | <u>Account</u> | <u>Original Cost</u> | <u>Reserve for Depreciation and Amortization</u> |
|------------|--|--------------------------|--|
| 108.5 | Accumulated Nuclear Decommissioning Electric | 0.00 | 1,042,605,025 |
| | TOTAL ACCUMULATED NUCLEAR DECOMMISSIONING | 0.00 | 1,042,605,025.49 |
| 101.1 | ELECTRIC CAPITAL LEASES | 1,902,822,019.46 | 348,972,049.51 |
| 118.1 | COMMON CAPITAL LEASE | 19,451,676.98 | 12,020,229.45 |
| | | 1,922,273,696.44 | 360,992,278.96 |
| 143 | FAS 143 ASSETS - Legal Obligation | 17,125,479.67 | (1,039,081,655) |
| | SONGS Plant Closure - FAS 143 contra | 0.00 | 0 |
| | FIN 47 ASSETS - Non-Legal Obligation | 109,841,313.16 | 43,570,120 |
| 143 | FAS 143 ASSETS - Legal Obligation | 0.00 | (1,717,597,919) |
| | TOTAL FAS 143 | 126,966,792.83 | (2,713,109,453.55) |
| | UTILITY PLANT TOTAL | 22,285,100,038.88 | 5,600,440,301.82 |

Attachment B

Balance Sheet, Income Statement and Financial Statement

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
June 2019

| 1. UTILITY PLANT | | <u>2019</u> |
|--|---|--------------------------|
| 101 | UTILITY PLANT IN SERVICE | 19,619,106,406 |
| 102 | UTILITY PLANT PURCHASED OR SOLD | 279,422 |
| 104 | UTILITY PLANT LEASED TO OTHERS | 85,194,000 |
| 105 | PLANT HELD FOR FUTURE USE | - |
| 106 | COMPLETED CONSTRUCTION NOT CLASSIFIED | - |
| 107 | CONSTRUCTION WORK IN PROGRESS | 1,331,811,773 |
| 108 | ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT | (5,831,497,519) |
| 111 | ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT | (970,771,465) |
| 114 | ELEC PLANT ACQUISITION ADJ | 3,750,722 |
| 115 | ACCUM PROVISION FOR AMORT OF ELECTRIC PLANT ACQUIS ADJ | (1,875,360) |
| 118 | OTHER UTILITY PLANT | 1,421,081,651 |
| 119 | ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF OTHER UTILITY PLANT | (294,975,553) |
| 120 | NUCLEAR FUEL - NET | - |
| TOTAL NET UTILITY PLANT | | <u>\$ 15,362,104,077</u> |
| 2. OTHER PROPERTY AND INVESTMENTS | | |
| 121 | NONUTILITY PROPERTY | \$ 6,030,597 |
| 122 | ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION | (326,049) |
| 158 | NON-CURRENT PORTION OF ALLOWANCES | 179,048,887 |
| 123 | INVESTMENTS IN SUBSIDIARY COMPANIES | - |
| 124 | OTHER INVESTMENTS | - |
| 125 | SINKING FUNDS | - |
| 128 | OTHER SPECIAL FUNDS | 1,043,513,735 |
| 175 | LONG-TERM PORTION OF DERIVATIVE ASSETS | <u>237,997,006</u> |
| TOTAL OTHER PROPERTY AND INVESTMENTS | | <u>\$ 1,466,264,176</u> |

Data from SPL as of September 17, 2019

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
June 2019

| 3. CURRENT AND ACCRUED ASSETS | | <u>2019</u> |
|--------------------------------------|--|--|
| 131 | CASH | \$ 2,860,276 |
| 132 | INTEREST SPECIAL DEPOSITS | - |
| 134 | OTHER SPECIAL DEPOSITS | - |
| 135 | WORKING FUNDS | 500 |
| 136 | TEMPORARY CASH INVESTMENTS | - |
| 141 | NOTES RECEIVABLE | - |
| 142 | CUSTOMER ACCOUNTS RECEIVABLE | 318,126,079 |
| 143 | OTHER ACCOUNTS RECEIVABLE | 90,582,463 |
| 144 | ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS | (3,548,137) |
| 145 | NOTES RECEIVABLE FROM ASSOCIATED COMPANIES | 8,379 |
| 146 | ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES | 68,283 |
| 151 | FUEL STOCK | - |
| 152 | FUEL STOCK EXPENSE UNDISTRIBUTED | - |
| 154 | PLANT MATERIALS AND OPERATING SUPPLIES | 129,599,967 |
| 156 | OTHER MATERIALS AND SUPPLIES | - |
| 158 | ALLOWANCES | 194,528,538 |
| 158 | LESS: NON-CURRENT PORTION OF ALLOWANCES | (179,048,887) |
| 163 | STORES EXPENSE UNDISTRIBUTED | - |
| 164 | GAS STORED | 494,932 |
| 165 | PREPAYMENTS | 99,492,879 |
| 171 | INTEREST AND DIVIDENDS RECEIVABLE | 2,441,315 |
| 173 | ACCRUED UTILITY REVENUES | 59,393,000 |
| 174 | MISCELLANEOUS CURRENT AND ACCRUED ASSETS | 3,700,000 |
| 175 | DERIVATIVE INSTRUMENT ASSETS | 281,650,453 |
| 175 | LESS: LONG -TERM PORTION OF DERIVATIVE INSTRUMENT ASSETS | (237,997,006) |
| | TOTAL CURRENT AND ACCRUED ASSETS | <u>\$ 762,353,034</u> |
| 4. DEFERRED DEBITS | | |
| 181 | UNAMORTIZED DEBT EXPENSE | \$ 36,846,107 |
| 182 | UNRECOVERED PLANT AND OTHER REGULATORY ASSETS | 2,023,647,009 |
| 183 | PRELIMINARY SURVEY & INVESTIGATION CHARGES | 579,012 |
| 184 | CLEARING ACCOUNTS | 197,589 |
| 185 | TEMPORARY FACILITIES | 415,459 |
| 186 | MISCELLANEOUS DEFERRED DEBITS | 94,826,562 |
| 188 | RESEARCH AND DEVELOPMENT | - |
| 189 | UNAMORTIZED LOSS ON REACQUIRED DEBT | 5,554,654 |
| 190 | ACCUMULATED DEFERRED INCOME TAXES | 184,223,970 |
| | TOTAL DEFERRED DEBITS | <u>\$ 2,346,290,362</u> |
| | TOTAL ASSETS AND OTHER DEBITS | <u><u>\$ 19,937,011,649</u></u> |

Data from SPL as of September 17, 2019

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
June 2019

| 5. PROPRIETARY CAPITAL | | <u>2019</u> |
|--|---|-----------------------------|
| 201 | COMMON STOCK ISSUED | \$ 291,458,395 |
| 204 | PREFERRED STOCK ISSUED | - |
| 207 | PREMIUM ON CAPITAL STOCK | 591,282,978 |
| 210 | GAIN ON RETIRED CAPITAL STOCK | - |
| 211 | MISCELLANEOUS PAID-IN CAPITAL | 479,665,368 |
| 214 | CAPITAL STOCK EXPENSE | (24,605,640) |
| 216 | UNAPPROPRIATED RETAINED EARNINGS | 5,006,693,883 |
| 219 | ACCUMULATED OTHER COMPREHENSIVE INCOME | <u>(10,726,122)</u> |
| | TOTAL PROPRIETARY CAPITAL | <u>\$ 6,333,768,862</u> |
| 6. LONG-TERM DEBT | | |
| 221 | BONDS | \$ 5,158,409,000 |
| 223 | ADVANCES FROM ASSOCIATED COMPANIES | - |
| 224 | OTHER LONG-TERM DEBT | - |
| 225 | UNAMORTIZED PREMIUM ON LONG-TERM DEBT | - |
| 226 | UNAMORTIZED DISCOUNT ON LONG-TERM DEBT | <u>(12,600,846)</u> |
| | TOTAL LONG-TERM DEBT | <u>\$ 5,145,808,154</u> |
| 7. OTHER NONCURRENT LIABILITIES | | |
| 227 | OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT | \$ 1,359,061,068 |
| 228.2 | ACCUMULATED PROVISION FOR INJURIES AND DAMAGES | 26,366,766 |
| 228.3 | ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS | 220,352,888 |
| 228.4 | ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS | - |
| 244 | LONG TERM PORTION OF DERIVATIVE LIABILITIES | 78,054,691 |
| 230 | ASSET RETIREMENT OBLIGATIONS | <u>861,823,336</u> |
| | TOTAL OTHER NONCURRENT LIABILITIES | <u>\$ 2,545,658,749</u> |

Data from SPL as of September 17, 2019

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
June 2019

| 8. CURRENT AND ACCRUED LIABILITIES | | 2019 |
|---|---|---------------------------------|
| 231 | NOTES PAYABLE | \$ 18,500,000 |
| 232 | ACCOUNTS PAYABLE | 456,358,521 |
| 233 | NOTES PAYABLE TO ASSOCIATED COMPANIES | - |
| 234 | ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES | 95,805,530 |
| 235 | CUSTOMER DEPOSITS | 81,171,399 |
| 236 | TAXES ACCRUED | 2,565,747 |
| 237 | INTEREST ACCRUED | 43,720,431 |
| 238 | DIVIDENDS DECLARED | - |
| 241 | TAX COLLECTIONS PAYABLE | 5,433,725 |
| 242 | MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES | 102,217,217 |
| 243 | OBLIGATIONS UNDER CAPITAL LEASES - CURRENT | 332,031,710 |
| 244 | DERIVATIVE INSTRUMENT LIABILITIES | 127,502,230 |
| 244 | LESS: LONG-TERM PORTION OF DERIVATIVE LIABILITIES | (78,054,691) |
| 245 | DERIVATIVE INSTRUMENT LIABILITIES - HEDGES | - |
| TOTAL CURRENT AND ACCRUED LIABILITIES | | <u>\$ 1,187,251,819</u> |
| 9. DEFERRED CREDITS | | |
| 252 | CUSTOMER ADVANCES FOR CONSTRUCTION | \$ 72,639,005 |
| 253 | OTHER DEFERRED CREDITS | 347,064,735 |
| 254 | OTHER REGULATORY LIABILITIES | 2,461,589,323 |
| 255 | ACCUMULATED DEFERRED INVESTMENT TAX CREDITS | 15,096,623 |
| 257 | UNAMORTIZED GAIN ON REACQUIRED DEBT | - |
| 281 | ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED | - |
| 282 | ACCUMULATED DEFERRED INCOME TAXES - PROPERTY | 1,682,256,508 |
| 283 | ACCUMULATED DEFERRED INCOME TAXES - OTHER | <u>145,877,871</u> |
| TOTAL DEFERRED CREDITS | | <u>\$ 4,724,524,065</u> |
| TOTAL LIABILITIES AND OTHER CREDITS | | <u><u>\$ 19,937,011,649</u></u> |

Data from SPL as of September 17, 2019

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
June 2019

1. UTILITY OPERATING INCOME

| | | | | |
|-------|--|----|---------------|-----------------|
| 400 | OPERATING REVENUES | | \$ | 2,425,498,209 |
| 401 | OPERATING EXPENSES | \$ | 1,469,111,361 | |
| 402 | MAINTENANCE EXPENSES | | 89,123,550 | |
| 403-7 | DEPRECIATION AND AMORTIZATION EXPENSES | | 352,548,807 | |
| 408.1 | TAXES OTHER THAN INCOME TAXES | | 78,147,625 | |
| 409.1 | INCOME TAXES | | 65,959,749 | |
| 410.1 | PROVISION FOR DEFERRED INCOME TAXES | | 50,863,516 | |
| 411.1 | PROVISION FOR DEFERRED INCOME TAXES - CREDIT | | (80,008,070) | |
| 411.4 | INVESTMENT TAX CREDIT ADJUSTMENTS | | (526,493) | |
| 411.6 | GAIN FROM DISPOSITION OF UTILITY PLANT | | - | |
| | TOTAL OPERATING REVENUE DEDUCTIONS | | | \$2,025,220,045 |
| | NET OPERATING INCOME | | \$ | 400,278,164 |

2. OTHER INCOME AND DEDUCTIONS

| | | | | |
|-------|---|----|--------------|-------------|
| 415 | REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK | \$ | - | |
| 417 | REVENUES OF NONUTILITY OPERATIONS | | - | |
| 417.1 | EXPENSES OF NONUTILITY OPERATIONS | | (2,530,873) | |
| 418 | NONOPERATING RENTAL INCOME | | 17,070 | |
| 418.1 | EQUITY IN EARNINGS OF SUBSIDIARIES | | - | |
| 419 | INTEREST AND DIVIDEND INCOME | | 14,170,634 | |
| 419.1 | ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION | | 28,871,657 | |
| 421 | MISCELLANEOUS NONOPERATING INCOME | | 291,919 | |
| 421.1 | GAIN ON DISPOSITION OF PROPERTY | | - | |
| | TOTAL OTHER INCOME | \$ | 40,820,407 | |
| 421.2 | LOSS ON DISPOSITION OF PROPERTY | \$ | - | |
| 425 | MISCELLANEOUS AMORTIZATION | | 125,024 | |
| 426 | MISCELLANEOUS OTHER INCOME DEDUCTIONS | | 5,601,596 | |
| | TOTAL OTHER INCOME DEDUCTIONS | \$ | 5,726,620 | |
| 408.2 | TAXES OTHER THAN INCOME TAXES | \$ | 369,020 | |
| 409.2 | INCOME TAXES | | 893,571 | |
| 410.2 | PROVISION FOR DEFERRED INCOME TAXES | | 17,207,606 | |
| 411.2 | PROVISION FOR DEFERRED INCOME TAXES - CREDIT | | (14,757,135) | |
| | TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS | \$ | 3,713,062 | |
| | TOTAL OTHER INCOME AND DEDUCTIONS | | \$ | 31,380,725 |
| | INCOME BEFORE INTEREST CHARGES | | | 431,658,889 |
| | EXTRAORDINARY ITEMS AFTER TAXES | | | - |
| | NET INTEREST CHARGES* | | | 110,435,183 |
| | NET INCOME | | \$ | 321,223,706 |

**NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION, (\$10,267,664)*

Data from SPL as of September 17, 2019

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
June 2019

3. RETAINED EARNINGS

| | |
|--|-------------------------|
| RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED | \$ 4,683,700,304 |
| NET INCOME (FROM PRECEDING PAGE) | 321,223,706 |
| DIVIDEND TO PARENT COMPANY | - |
| DIVIDENDS DECLARED - PREFERRED STOCK | - |
| DIVIDENDS DECLARED - COMMON STOCK | - |
| OTHER RETAINED EARNINGS ADJUSTMENTS | 1,769,873 |
| RETAINED EARNINGS AT END OF PERIOD | <u>\$ 5,006,693,883</u> |

SAN DIEGO GAS & ELECTRIC COMPANY
FINANCIAL STATEMENT
Jun 30, 2019

| | | | | |
|---|--|-------------|--------|-------------------|
| (a) Amounts and Kinds of Stock Authorized: | | | | |
| Common Stock | | 255,000,000 | shares | Without Par Value |
| Amounts and Kinds of Stock Outstanding: | | | | |
| Common Stock | | 116,583,358 | shares | 291,458,395 |

(b) Brief Description of Mortgage:

Full information as to this item is given in Application Nos. 93-09-069, 04-01-009, 06-05-015, 08-07-029, 10-10-023, 12-03-005, 15-08-011, and 18-02-012 to which references are hereby made.

(c) Number and Amount of Bonds Authorized and Issued:

| | Nominal Date of Issue | Par Value Authorized and Issued | Outstanding | Interest Paid (update required in Q4' 20xx) as of Q4' 2018 |
|------------------------------------|-------------------------------------|---|----------------------|--|
| First Mortgage Bonds: | | | | |
| 5.875% Series VV, due 2034 | 06-17-04 | 43,615,000 | 43,615,000 | 2,562,288 |
| 5.875% Series WW, due 2034 | 06-17-04 | 40,000,000 | 40,000,000 | 2,349,915 |
| 5.875% Series XX, due 2034 | 06-17-04 | 35,000,000 | 35,000,000 | 2,056,175 |
| 5.875% Series YY, due 2034 | 06-17-04 | 24,000,000 | 24,000,000 | 1,409,949 |
| 5.875% Series ZZ, due 2034 | 06-17-04 | 33,650,000 | 33,650,000 | 1,976,866 |
| 4.00% Series AAA, due 2039 | 06-17-04 | 75,000,000 | 75,000,000 | 3,000,000 |
| 5.35% Series BBB, due 2035 | 05-19-05 | 250,000,000 | 250,000,000 | 13,375,000 |
| 6.00% Series DDD, due 2026 | 06-08-06 | 250,000,000 | 250,000,000 | 15,000,000 |
| 1.65% Series EEE, due 2018 | 09-21-06 | 161,240,000 | 0 | 1,330,230 |
| 6.125% Series FFF, due 2037 | 09-20-07 | 250,000,000 | 250,000,000 | 15,312,500 |
| 6.00% Series GGG, due 2039 | 05-14-09 | 300,000,000 | 300,000,000 | 18,000,000 |
| 5.35% Series HHH, due 2040 | 05-13-10 | 250,000,000 | 250,000,000 | 13,375,000 |
| 4.50% Series III, due 2040 | 08-26-10 | 500,000,000 | 500,000,000 | 22,500,000 |
| 3.00% Series JJJ, due 2021 | 08-18-11 | 350,000,000 | 350,000,000 | 10,500,000 |
| 3.95% Series LLL, due 2041 | 11-17-11 | 250,000,000 | 250,000,000 | 9,875,000 |
| 4.30% Series MMM, due 2042 | 03-22-12 | 250,000,000 | 250,000,000 | 10,750,000 |
| 3.60% Series NNN, due 2023 | 09-09-13 | 450,000,000 | 450,000,000 | 16,200,000 |
| 1.9140% Series PPP, due 2022 | 03-12-15 | 250,000,000 | 42,951,382 | 2,905,194 |
| 2.50% Series QQQ, due 2026 | 05-19-16 | 500,000,000 | 500,000,000 | 12,500,000 |
| 3.75% Series RRR, due 2047 | 06-08-17 | 400,000,000 | 400,000,000 | 15,000,000 |
| 4.15% Series SSS, due 2048 | 05-15-18 | 400,000,000 | 400,000,000 | 8,207,778 |
| 4.10% Series TTT, due 2049 | 05-31-19 | 400,000,000 | 400,000,000 | 1,366,667 |
| Total First Mortgage Bonds: | | | 5,094,216,382 | 199,552,562 |
| | | | | |
| Total Bonds: | | | | 199,552,562 |
| | | | | |
| TOTAL LONG-TERM DEBT | | | 5,094,216,382 | |

**SAN DIEGO GAS & ELECTRIC COMPANY
FINANCIAL STATEMENT**

June 30, 2019

| Other Indebtedness: | Date of Issue | Date of Maturity | Interest Rate | Outstanding | Interest Paid 2019 |
|----------------------------------|---------------|------------------|---------------|-------------|--------------------|
| Commercial Paper & ST Bank Loans | Various | Various | Various | 18,500,000 | \$3,319,029 |

Amounts and Rates of Dividends Declared:

The amounts and rates of dividends during the past five fiscal years are as follows:

| Preferred Stock | Shares Outstanding | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------|--------------------|------|------|------|------|------|
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |

| Common Stock | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------|-------------|-------------|-------------|-------------|------|
| Dividend to Parent [1] | 300,000,000 | 175,000,000 | 450,000,000 | 250,000,000 | - |

[1] San Diego Gas & Electric Company dividend to parent.

Attachment C

Regulatory Capitalization Schedule

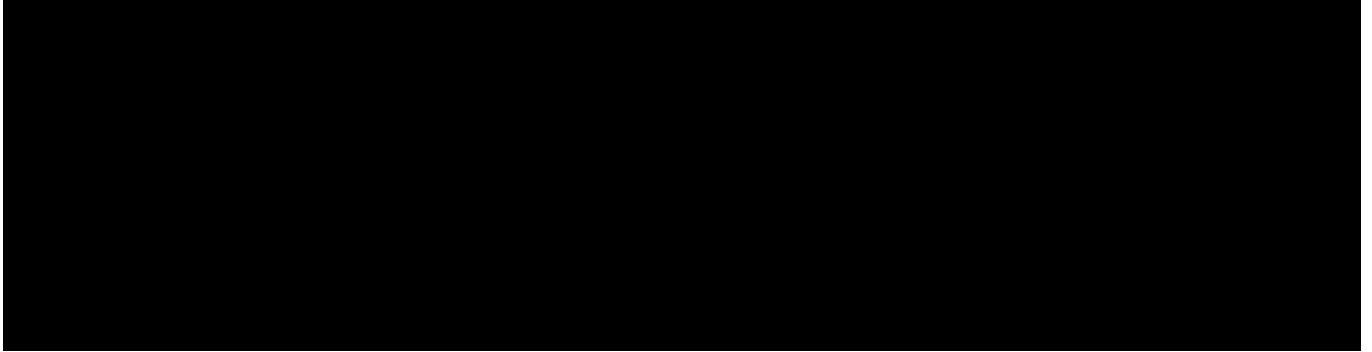
San Diego Gas & Electric Company
Total Regulatory Capitalization
June 30, 2019
(\$ Millions)

| No. | Interest % | Bond | Maturity | Principal (\$ millions) |
|---|------------|----------------------|----------|----------------------------|
| 1 | 5.875% | SERIES VV (CV2004A) | 2/15/34 | 43.6 |
| 2 | 5.875% | SERIES WW (CV2004B) | 2/15/34 | 40.0 |
| 3 | 5.875% | SERIES XX (CV2004C) | 2/15/34 | 35.0 |
| 4 | 5.875% | SERIES YY (CV2004D) | 1/01/34 | 24.0 |
| 5 | 5.875% | SERIES ZZ (CV2004E) | 1/01/34 | 33.7 |
| 6 | 4.000% | SERIES AAA (CV2004F) | 5/01/39 | 75.0 |
| 7 | 5.350% | SERIES BBB | 5/15/35 | 250.0 |
| 8 | 6.000% | SERIES DDD | 6/1/26 | 250.0 |
| 9 | 6.125% | SERIES FFF | 9/15/37 | 250.0 |
| 10 | 6.000% | SERIES GGG | 6/1/39 | 300.0 |
| 11 | 5.350% | SERIES HHH | 5/15/40 | 250.0 |
| 12 | 4.500% | SERIES III | 8/15/40 | 500.0 |
| 13 | 3.000% | SERIES JJJ | 8/15/21 | 350.0 |
| 14 | 3.950% | SERIES LLL | 11/15/41 | 250.0 |
| 15 | 4.300% | SERIES MMM | 4/1/42 | 250.0 |
| 16 | 3.600% | SERIES NNN | 9/1/23 | 450.0 |
| 18 | 1.914% | SERIES PPP | 2/1/22 | 43.0 |
| 19 | 2.500% | SERIES QQQ | 5/15/26 | 500.0 |
| 20 | 3.750% | SERIES RRR | 6/1/47 | 400.0 |
| 21 | 4.150% | SERIES SSS | 5/15/48 | 400.0 |
| 22 | 4.100% | SERIES TTT | 6/15/49 | 400.0 |
| Total First Mortgage Bonds | | | | 5,094.2 |
| TOTAL LT-DEBT BEFORE Unamortized premiums, issue expenses & loss on reacquired debt net of tax | | | | 5,094.2 |
| Unamortized discount less premium | | | | (12.6) |
| Unamortized issued expense | | | | (36.8) |
| Unamortized loss on reacquired debt net of tax | | | | (3.3) |
| Total Unamortized Debt (less premiums, issue expenses & loss on reacquired debt net of tax) | | | | (52.7) |
| TOTAL LT-DEBT NET of Unamortized premiums, issue expenses & loss on reacquired debt net of tax | | | | 5,041.5 |
| Equity Capital | | | | |
| Common Stock Equity | | | | 6,333.8 |
| Total Equity | | | | 6,333.8 |
| TOTAL REGULATORY CAPITALIZATION | | | | 11,375.3 |

Schedules I - XII

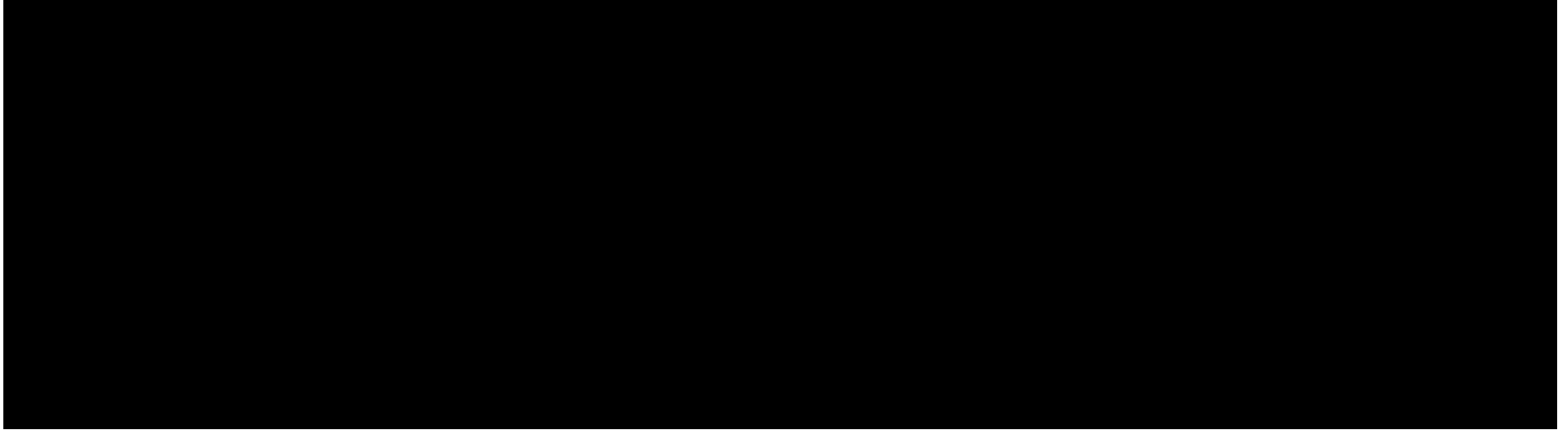
Schedule I

San Diego Gas & Electric Company
Construction Estimates
(\$ millions)



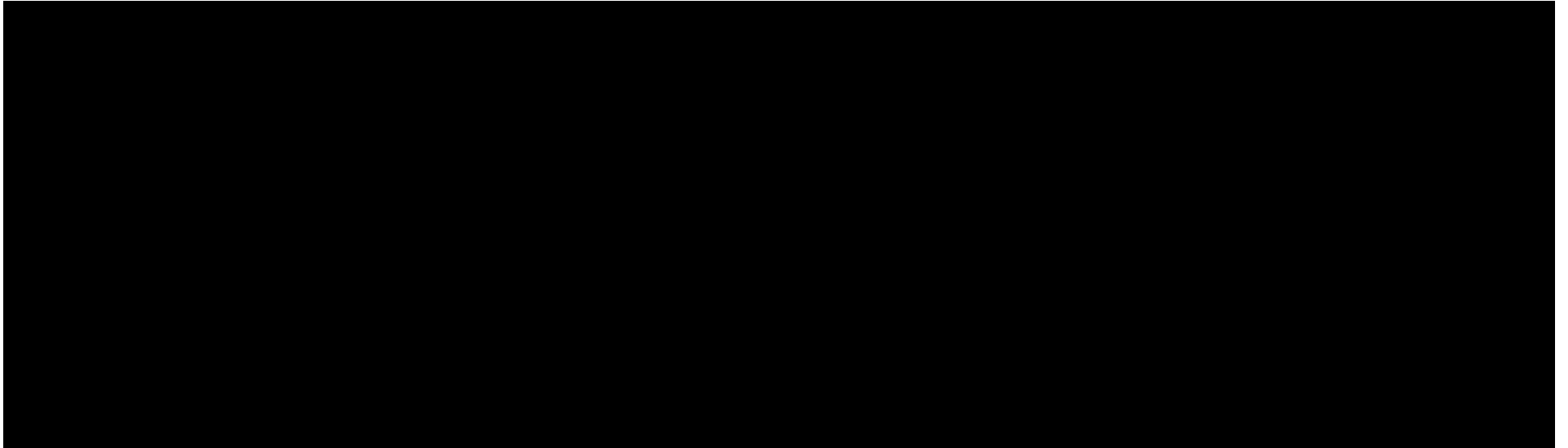
Schedule II

San Diego Gas & Electric Company
2020 Monthly Cash Flow Projections (\$ millions)



Schedule II

San Diego Gas & Electric Company
2021 Monthly Cash Flow Projections (\$ millions)



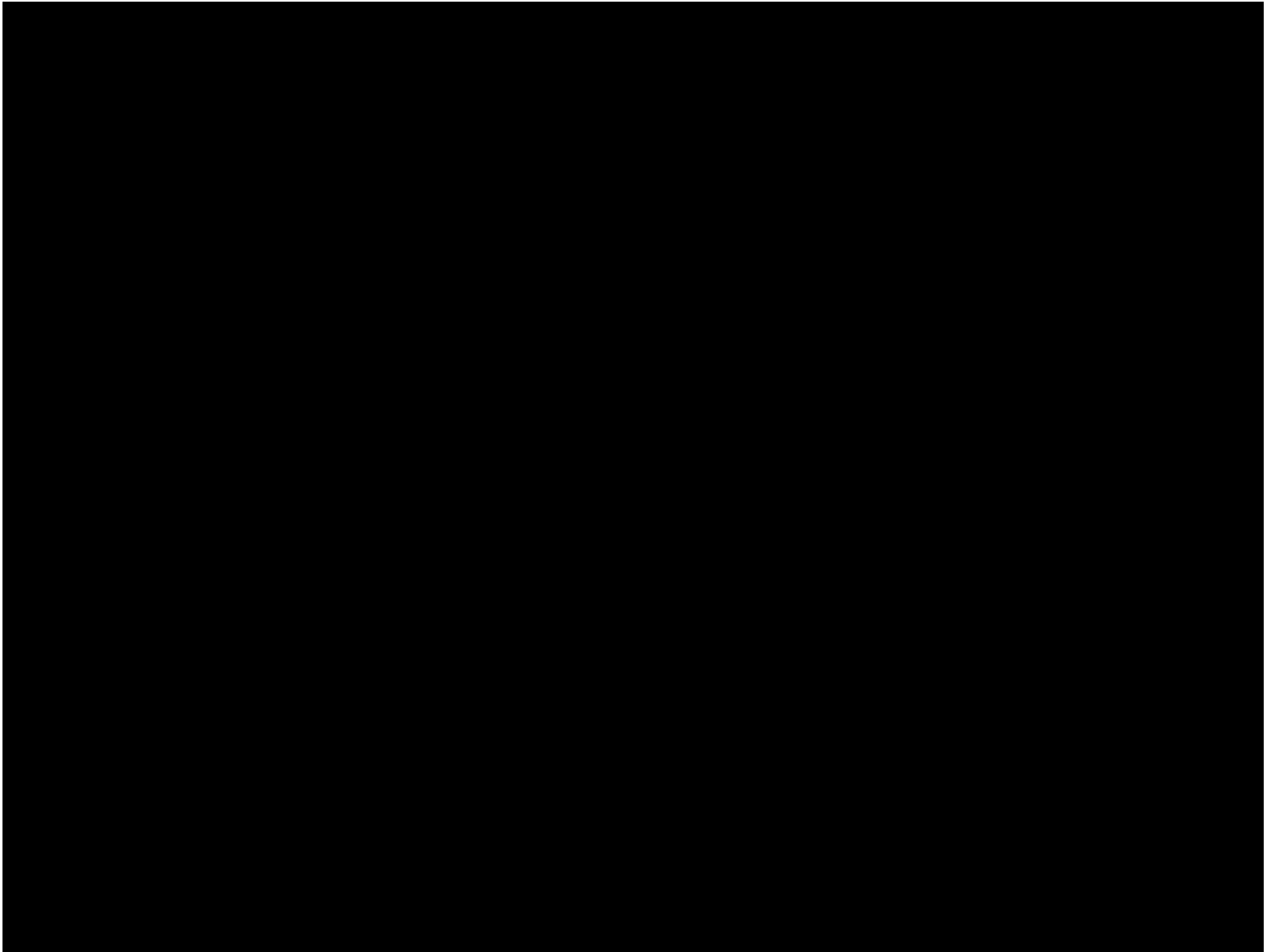
Schedule II

San Diego Gas & Electric Company
2022 Monthly Cash Flow Projections (\$ millions)



Schedule IIIa

San Diego Gas & Electric Company
Statement of Cash Requirements for the Years 2020, 2021 and 2022
(\$ millions)



Schedule IIIb

San Diego Gas & Electric Company
Amount and Percentage of Internal Funds Provided
(\$ millions)

| <u>Year</u> | <u>Internal Sources</u> | <u>Internal Sources as % Construction Expenditures</u> |
|-------------|-------------------------|--|
| 2020 | \$1,348 | 79% |
| 2021 | \$1,380 | 66% |
| 2022 | \$1,409 | 70% |

Schedule IV

**San Diego Gas & Electric Company
Statement of Unreimbursed Construction**

| | | |
|---|----|--------------------------------|
| Net utility plant | | \$12,219,461,518 |
| Net proceeds from securities: | | |
| Preferred stock | \$ | - |
| Common stock | | (771,123,763) |
| Premium on capital stock | | (591,282,978) |
| Long-term debt | | <u>(5,094,216,382)</u> |
| Total net proceeds | | \$ (6,456,623,123) |
| Advances for construction | | <u>(29,270,720)</u> |
| Total deductions | | <u>(6,485,893,843)</u> |
| Unreimbursed construction as of June 30, 2019 | | <u><u>\$ 5,733,567,675</u></u> |

Schedule V

San Diego Gas & Electric Company
Fiscal Year 2018 Revenue Data¹
(\$ millions)

| | |
|--|---------|
| Company operating revenue | \$4,568 |
| California operating revenue | \$4,568 |
| California operating revenue % company | 100% |
| Company net income before preferred dividend & call requirements | \$669 |
| Sales for resale | - |

¹All figures above are 2018 actuals.

Schedule VI**San Diego Gas & Electric Company
2017, 2018 & 2019 Historical Financing Data**

| Date | Transaction | Principal amount (\$ million) |
|---------------|---------------------------------------|--------------------------------------|
| March 9, 2017 | Maturity of Series OOO | (\$140.0) |
| June 5, 2017 | Issued first-mortgage bond Series RRR | \$400.0 |
| May 17, 2018 | Issued first-mortgage bond Series SSS | \$400.0 |
| July 1, 2018 | Maturity of Series EEE (CV2006) | (\$161.0) |
| May 31, 2019 | Issued first-mortgage bond Series TTT | \$400.0 |
| | Total | \$899.0 |

Schedule VII

San Diego Gas & Electric Company 2019 Remaining Projected Financing

| Date | Transaction | Principal amount (\$ million) |
|-----------------|---|--------------------------------------|
| July - December | No additional financing currently planned | \$0 |

¹Amount ultimately raised will be a function of the Company's access to long-term capital markets and the cash flow forecast at the time the funds are required.

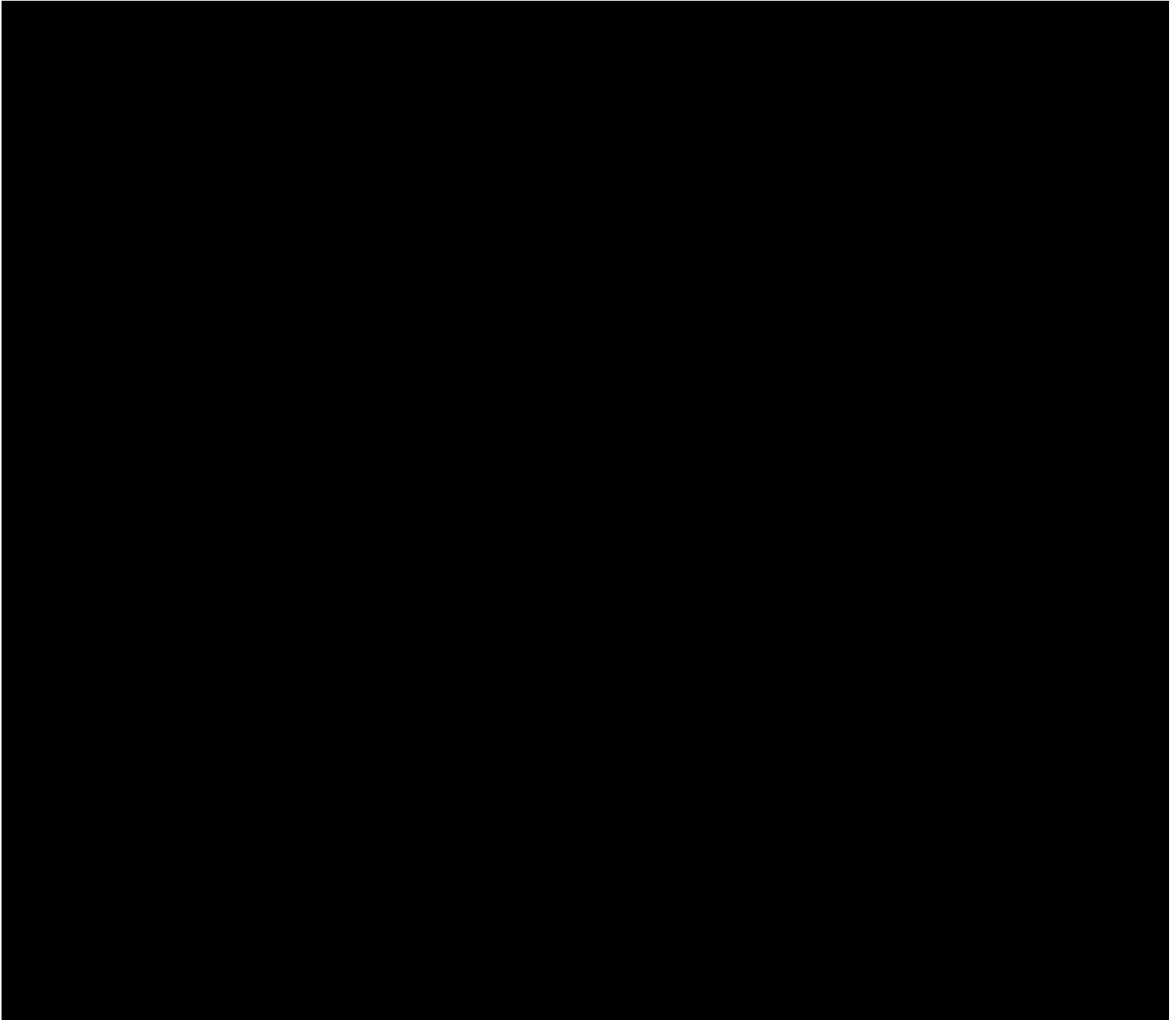
Schedule VIII

San Diego Gas & Electric Company
Short-Term Financing in Excess of CPUC Code §823 (c) Allowance
(\$ thousands)

| | <u>June 30, 2019</u> |
|---|-------------------------|
| Common stock issued | \$771,124 |
| Preferred and preference stock | - |
| Long-term debt (excluding capital leases) | <u>5,094,216</u> |
| Total capitalization at June 30, 2019 | <u><u>5,865,340</u></u> |
| 5% allowed by CPUC Code §823 (c) | 293,267 |
| Maximum anticipated amount of short-term debt | <u>868,267</u> |
| Total excess financing authority required | 575,000 |
| Current excess financing authority approved in decision D.19-05-009 | <u>575,000</u> |
| Additional short-term financing authority requested in this application | <u><u>\$0</u></u> |

Schedule IX

San Diego Gas & Electric Company
Capital Ratios as of June 30, 2019 and Pro-forma
(\$ thousands)



Schedule X**San Diego Gas & Electric Company
Computation of Fee**

| Item | Amount | Rate | Fee |
|---|-------------------------------|---------------------|---------------------------|
| \$2,300 million of long-term borrowing authority | \$ 1,000,000 | \$2 per thousand | \$ 2,000 |
| | 9,000,000 | \$1 per thousand | 9,000 |
| | <u>2,290,000,000</u> | \$0.50 per thousand | <u>1,145,000</u> |
| | <u><u>\$2,300,000,000</u></u> | Total fee required | <u><u>\$1,156,000</u></u> |

Schedule XI**San Diego Gas & Electric Debt Outstanding
June 30, 2019**

| <u>No.</u> | <u>Type</u> ¹ | <u>Bond</u> | <u>Maturity</u> | <u>Principal (\$ millions)</u> |
|-------------------|---------------------------------|---------------------|------------------------|---|
| 1 | IDB | Series VV/ CV2004A | 02/15/34 | 43.6 |
| 2 | IDB | Series WW/ CV2004B | 02/15/34 | 40.0 |
| 3 | IDB | Series XX/ CV2004C | 02/15/34 | 35.0 |
| 4 | IDB | Series YY/ CV2004D | 01/01/34 | 24.0 |
| 5 | IDB | Series ZZ/ CV2004E | 01/01/34 | 33.7 |
| 6 | IDB | Series AAA/ CV2004F | 05/01/39 | 75.0 |
| 7 | FMB | Series BBB | 05/15/35 | 250.0 |
| 8 | FMB | Series DDD | 06/01/26 | 250.0 |
| 9 | FMB | Series FFF | 09/15/37 | 250.0 |
| 10 | FMB | Series GGG | 06/01/39 | 300.0 |
| 11 | FMB | Series HHH | 05/15/40 | 250.0 |
| 12 | FMB | Series III | 08/15/40 | 500.0 |
| 13 | FMB | Series JJJ | 08/15/21 | 350.0 |
| 14 | FMB | Series LLL | 11/15/41 | 250.0 |
| 15 | FMB | Series MMM | 04/01/42 | 250.0 |
| 16 | FMB | Series NNN | 09/01/23 | 450.0 |
| 17 | FMB | Series *PPP | 02/01/22 | 43.0 |
| 18 | FMB | Series QQQ | 05/15/26 | 500.0 |
| 19 | FMB | Series RRR | 06/01/47 | 400.0 |
| 20 | FMB | Series SSS | 05/15/48 | 400.0 |
| 21 | FMB | Series TTT | 06/15/49 | 400.0 |
| Total | | | | 5,094.2 |

¹ "IDB" = Industrial Development Bonds

"FMB" = First Mortgage Bonds

* Series PPP only reflects the SONGS related principle portion

Public Redacted Versions

Schedule XII
San Diego Gas & Electric Company

| Remaining CPUC Authorities | Debt | | Preferred | |
|---|-----------------|---------------|---------------|--------------|
| | New | Roll-over | New | Roll-over |
| D.93-09-069 | 250.00 | - | 100.00 | - |
| Bank loans | (37.17) | - | - | - |
| Series TT | (57.65) | - | - | - |
| Series UU | (16.70) | - | - | - |
| \$1.70 preferred | - | - | (35.00) | - |
| \$1.82 preferred | - | - | (16.64) | - |
| Series BBB (part) | (138.48) | - | - | - |
| Remaining authority | - | - | 48.36 | - |
| D.04-01-009 | 551.43 | 108.58 | 4.00 | 76.00 |
| CV2004 (part) | - | (4.99) | - | - |
| Series BBB (part) | (111.52) | - | - | - |
| Series CCC | (250.00) | - | - | - |
| Series DDD (part) | (189.91) | - | - | - |
| Series EEE (part) | - | (103.59) | - | - |
| Remaining authority | - | - | 4.00 | 76.00 |
| D.06-05-015 | 800.00 | - | 200.00 | - |
| Series DDD (part) | (60.09) | - | - | - |
| Series EEE (part) | (57.65) | - | - | - |
| Series FFF | (250.00) | - | - | - |
| Series GGG | (300.00) | - | - | - |
| Series HHH (part) | (132.26) | - | - | - |
| Remaining authority | - | - | 200.00 | - |
| D.08-07-029 | 687.00 | 413.00 | - | - |
| Series HHH (part) | (117.74) | - | - | - |
| Series III | (500.00) | - | - | - |
| Series JJJ (part) | (69.26) | - | - | - |
| Series NNN (part) | - | (189.87) | - | - |
| Series OOO (part) | - | (100.00) | - | - |
| Remaining authority | - | 123.13 | - | - |
| D.10-10-023 | 800.00 | - | 150.00 | - |
| Series JJJ (part) | (280.74) | - | - | - |
| Series LLL | (250.00) | - | - | - |
| Series MMM | (250.00) | - | - | - |
| Series NNN (part) | (19.26) | - | - | - |
| Remaining authority | - | - | 150.00 | - |
| D.12-03-005 | 750.00 | - | - | - |
| Series NNN (part) | (240.87) | - | - | - |
| 366-day commercial paper (5/19/14) | (100.00) | - | - | - |
| Series OOO (part) | (40.00) | - | - | - |
| Series PPP | (250.00) | - | - | - |
| 366-day commercial paper (11/20/15) | (53.70) | - | - | - |
| Series QQQ (part) | (65.43) | - | - | - |
| Remaining authority | - | - | - | - |
| D.15-08-011 | 1,000.00 | 300.00 | - | - |
| Series QQQ (part) | (434.57) | - | - | - |
| Series RRR | (260.00) | (140.00) | - | - |
| Series SSS | (240.00) | (160.00) | - | - |
| Series TTT (part) | (65.43) | - | - | - |
| Remaining authority | - | - | - | - |
| D.18-02-012 | 750.00 | 300.00 | - | - |
| Series TTT (part) | (334.57) | - | - | - |
| Remaining authority | 415.43 | 300.00 | - | - |
| Total remaining authority, all decisions | 415.43 | 423.13 | 402.36 | 76.00 |